

Scientific Bulletin of Mukachevo State University

Series

Economics

Volume 10, No. 1, 19-28

Journal homepage: <https://economics-msu.com.ua/en>

UDC 336.1.354

DOI: 10.52566/msu-econ1.2023.018

Public debt of Ukraine: Essence, current trends and management

Hanna Samus*

*PhD in Economic Sciences, Senior Lecturer
Konotop Institute of Sumy State University,
41615, 32 Sadova Str., Konotop, Sumy region, Ukraine
<https://orcid.org/0000-0002-6962-5450>*

Olena Tsyhanenko

*PhD in Economic Sciences, Senior Lecturer
Konotop Institute of Sumy State University,
41615, 32 Sadova Str., Konotop, Sumy region, Ukraine
<https://orcid.org/0000-0001-5706-5620>*

Alina Medvid

*Student
Konotop Institute of Sumy State University,
41615, 32 Sadova Str., Konotop, Sumy region, Ukraine
<https://orcid.org/0009-0008-4062-9192>*

Abstract. At the present stage of the market economy, in the conditions of rapid development of globalisation and cooperation of states in political, economic, and social aspects, public debt is an objectively determined phenomenon, it is an integral part of the country's financial system. Nowadays, Ukraine is in a difficult situation caused by the outbreak of a large-scale war with Russia, which is one of the main reasons for the existence of the public debt. Due to the insufficient amount of monetary resources in the budget, the state is forced to attract financial resources in order to perform its functions. The purpose of this study was to substantiate the theoretical essence of public debt, analyse current trends in the generation of public debt, and identify optimisation ways for effective public debt management in order to reduce it. The authors used the following scientific methods: empirical (description and comparison), theoretical (analysis, synthesis, and generalisation), and statistical. The study considers the essence of public debt according to the views of foreign and Ukrainian researchers. Based on statistical data, the current state of the public debt of Ukraine is characterised, and the dynamics of the public and government-backed debt for the period 2019-2022 are analysed.

Received 17.01.2023 Revised 19.02.2023 Accepted 09.03.2023

Suggested Citation: Samus, H., Tsyhanenko, O., & Medvid, A. (2023). Public debt of Ukraine: Essence, current trends and management. *Scientific Bulletin of Mukachevo State University. Series "Economics"*, 10(1), 19-28.

*Corresponding author

The volume of expenditures on repayment and servicing of the public debt of Ukraine is analysed. Based on the conducted research, the main reasons for the presence and growth of debt were identified, including the COVID-19 epidemic and the beginning of armed aggression on the part of Russia; a decrease in the exchange rate of the national currency; a decline in production and a reduction in tax revenues; a decrease in the volume of the gross domestic product in real terms; a state budget deficit and a negative balance of payments; an increase in spending on ensuring the country's defence capability and servicing public debt. The proposed recommendations would reduce the country's public debt and increase the competitiveness of the economy at the world level, namely: increase the level of GDP, stimulate the development of small and medium-sized businesses to increase tax revenues to the budget, develop an effective strategy for managing public debt, etc.

Keywords: government borrowing; gross domestic product; budget deficit; public debt servicing; public debt management

Introduction

At the present stage of the market economy, in the conditions of rapid development of globalisation and cooperation of states in political, economic, and social aspects, public debt is an objectively determined phenomenon, it is an integral part of the country's financial system.

Nowadays, Ukraine is going through difficult times caused by the beginning of a large-scale war. One of the main reasons for the existence of public debt is the country's budget and balance of payments deficit. Due to the insufficient amount of monetary resources in the budget, the state is forced to attract financial resources in order to perform its functions.

Many studies are devoted to the investigation of the essence and features of public debt. Thus, O.M. Romankova (2021) analysed the current state of public debt, investigated the dynamics of the public and government-backed debt of Ukraine for 2009-2021, and suggested ways to resolve the debt problem. T. Marshalok, & I. Moroz (2019) revealed the impact of public debt on the economic development of the state and the main causes of public debt. O.R. Zakhidna *et al.* (2020) conducted a study of the structure of external debt of the state budget and noted the main foreign organisations that provide loans to Ukraine. O.Yu. Melykh (2019) revealed the role of public credit and its socio-economic consequences. The researcher assessed government borrowing and substantiated the reasons for the rapid growth of public debt. O.R. Zakhidna *et al.*, (2021) considered the ratio of public debt to gross domestic product and compared it with marginal and safe levels. In addition, they analysed the share of internal and external debt in the composition of public debt and government-backed debt. The main areas for optimising public debt management were proposed by O.Ya. Stoiko & I.A. Shubenko (2021). I.B. Khoma & S.Ye. Papirnik (2020) in their study characterised the concept of "public deficit" and its main causes, and considered the amount of spending that is required to manage and repay public debt. N. Slaviuk (2018) investigated the impact of high volumes of external government borrowing on the country's financial condition. The authors I.O. Liutyi & S.I. Zykova (2019) provided recommendations for effective public debt management in order to reduce it.

The relevance of this topic is conditioned by the fact that an increase in public debt negatively affects socio-economic

development, significantly worsens the financial condition of the state, and can lead to bankruptcy and an economic crisis in the country. Therefore, it is impossible to stay away from this problem, it is necessary to assess the state of public debt and, based on the analysis, look for ways to reduce it.

The purpose of the study is to substantiate the theoretical essence of public debt, analyse current trends in the generation of public debt, and identify optimisation ways for effective public debt management to reduce it.

The following tasks were set to achieve this goal:

- 1) reveal the concept of public debt based on different views of Ukrainian and foreign researchers;
- 2) identify the main reasons for the emergence of the public debt of Ukraine;
- 3) conduct a comparative analysis of external, internal, and government-backed debt during 2019-2022;
- 4) analyse indicators of the ratio of public debt of Ukraine to the level of gross domestic product;
- 5) analyse the costs that are necessary for the servicing and repayment of public debt.
- 6) suggest ways to optimise the reduction of public debt.

Literature Review

A significant number of researchers have considered the essence of the concept of public debt and the reasons for its growth. Western economist A. Smith (1776) revealed the concept of debt financing of public expenditures and came to the conclusion that such financing of expenditures leads to a weakening of the country's economy and a deterioration in the financial situation of the state. J.M. Keynes (1936) in his research considered credit financing and found that public debt is an integral element of public finances and an effective means of achieving demand, which encourages the growth of production and employment of the population. D. Ricardo (1817) studied the main sources of financing for public spending and concluded that government borrowing is the worst option for covering public spending.

Among Ukrainian researchers, a significant contribution to the study of the essence of public debt was made by T.P. Vakhnenko (2009), who analysed the specific features of public debt generation and proposed methods of effective management of its components during the financial crisis. N.I. Dubnytska (2007) paid considerable attention to

revealing the causes of public debt and methods of avoiding budget deficits. V.M. Oparin (2004) revealed the theoretical foundations of the nature of public debt and the main ways to reduce it. O.P. Orlyuk (2003) proposed the main areas for optimising public debt management. O.R. Romanenko *et al.* (2003) analysed the impact of public debt on the economic development of the state, identified the main causes of its occurrence, and suggested ways to avoid the debt problem caused by rapid debt growth.

In general, at different stages of development, economic scientists conducted research on the essence and generation of public debt. The first studies conducted by foreign researchers occur at the beginning of the 14th century. In the system of views of representatives of various scientific schools, such as the classical school of political economy, mercantilist, and Keynesian schools, there was no clear opinion about the essence of public debt and its impact on the country's economy. Representatives of the classical school of political economy had a negative attitude to public debt, their beliefs were that its increase contributes to a reduction in national investment and reduces the productivity of society's capital. In particular, the main representative of the classical school of political economy A. Smith (1776) argued that debt financing of public spending leads to a weakening of the country's

economy and a deterioration in the financial situation, which as a result can lead to bankruptcy. The idea was supported by A. Smith and D. Ricardo (1936), who considered government borrowing to be the worst option for covering government spending.

Moreover, the study of public debt was conducted by J.S. Mill (1848). The scientist was inclined to believe that the national debt leads to higher prices, which is the cause of crisis phenomena.

Instead, representatives of the mercantilist and Keynesian schools had the opposite opinion about public debt. They considered credit financing as a positive phenomenon, explaining this by the fact that the country's economy receives additional resources, and new sources of state income appear. In particular, J.M. Keynes (1936) considered the existence of public debt as a necessary element of public finances. In his opinion, public debt is an effective means of achieving demand, which stimulates the growth of production and employment of the population.

In modern Ukrainian scientific literature, there is no single interpretation of the concept of public debt. Many authors give different definitions of this category, focusing on certain aspects of the essence of public debt, but they are all inclined to believe that the presence of public debt negatively affects the socio-economic state of the country (Table 1).

Table 1. Views of researchers on the essence of public debt

Author	Definition of the concept
T.P. Vakhnenko (2009)	Public debt – the debt of the state in the process of forming and using additional monetary resources of the state at the expense of temporarily free funds of legal entities and individuals, foreign countries.
N.I. Dubnytska (2007)	Public debt – the total obligations of the central government, local authorities, state-owned enterprises and organisations.
V.M. Oparin (2004)	Public debt – the amount of the state's debt to its creditors.
O.P. Orlyuk (2003)	Public debt – the total amount of the government's accumulated debt on its own securities, which is equal to the sum of past budget deficits minus budget surpluses.
O.R. Romanenko <i>et al.</i> , (2003)	Public debt – the amount of debt owed on all debt obligations of the state, interest on it, and unfulfilled financial obligations of the state to economic entities.

Thus, according to the authors of this study, summarising the views of researchers, it is possible to define public debt as the total amount of outstanding public debt on internal and external borrowings, as well as on guarantees provided.

According to Article 2 of the Budget Code of Ukraine, public debt is the total amount of debt obligations of the state to repay received and outstanding loans as of the reporting date, arising from state borrowing (Budget Code

of Ukraine, 2010). Government-backed debt – the total amount of debt obligations of business entities – residents of Ukraine on loans received and outstanding at the reporting date, the fulfilment of which is secured by state guarantees (Budget Code of Ukraine, 2010).

In the structure of public debt, external and internal debt are distinguished, as well as capital and current debt (Fig. 1).

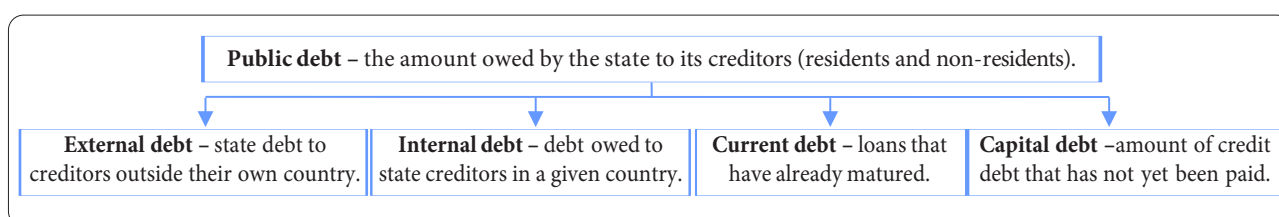


Figure 1. Structure of the public debt of Ukraine

Source: developed by the authors based on (Zubenko, 2017)

The main reason for the appearance of public debt is the insufficient amount of state budget funds necessary for the state to perform its main functions, namely: ensuring the country's defence capability, conducting economic, social, and international policies.

The existence of public debt causes the following negative phenomena:

1. Rising inflation due to a constant increase in public debt.
2. Increasing taxes to raise funds to pay off debt, which negatively affects business activity in the economy.
3. Reduction of public spending, which leads to an aggravation of the socio-economic situation of the country.
4. Reduction of investments in investment projects, as there is an outflow of capital to service external debt.
5. Deterioration of the country's financial and economic situation.
6. Reducing the international authority of the state and public confidence in the government.

Materials and Methods

The theoretical and methodological basis of the study is made up of papers by Ukrainian and foreign researchers in terms of analysing the essence of modern trends and public debt management. The sources of information in the study were materials from scientific conferences and scientific papers, namely, the study by O.M. Romankova (2021), T. Marshalok & I. Moroz (2019), based on which the impact of public debt on the economic development of Ukraine was revealed. The study by O.Yu. Melykh (2019) was used to consider public debt as a consequence of Public Credit. The paper by I.O. Liutyi & S.I. Zykova (2019) was used as a basis for identifying the main areas of public debt management.

During the study, the authors used analytical reports of the Ministry of Finance of Ukraine (2019-2022), data of the State Statistics Service of Ukraine (2019-2022) and the State Treasury Service of Ukraine (2019-2022). It allowed analysing the dynamics of changes in the volume of pub-

lic debt of Ukraine during 2019-2022 and determining the required amount of expenses for repayment and servicing of public debt.

When writing the paper, a systematic approach to the investigation of financial and economic processes and phenomena of modern trends in public debt of Ukraine was applied using the following methods: statistical research, which was used to quantify data on changes in the dynamics and trends in the volume of public debt during 2019-2022; comparative analysis of external, internal, and government-backed debt during 2019-2022; analysis, synthesis, and generalisation, which were used to characterise the indicators of the ratio of Ukraine's public debt to the level of gross domestic product and to analyse the costs required to maintain and repay the public debt. The abstract and logical method was used to formulate the conclusions of the study and provide recommendations on effective management of public debt and ways to reduce its volume.

The study included the following components:

- 1) consideration of the main approaches of both Ukrainian and foreign researchers to determine the theoretical essence of public debt;
- 2) identification of the main causes of the public debt of Ukraine;
- 3) analysis of the dynamics of changes in the volume of the public debt of the country in 2019-2022;
- 4) characteristics of expenses for repayment and servicing of public debt;
- 5) identification of optimisation ways for effective management of public debt in order to reduce it.

Results

Analysis of the dynamics of Ukraine's public debt

To analyse in detail the current state of Ukraine's debt and draw certain conclusions, the study will consider the dynamics of changes in the volume of public debt for 2019-2022, which is shown in Table 2.

Table 2. Dynamics of the volume of public debt of Ukraine during 2019-2022, mln. UAH

Indicators	2019	2020	2021	2022	Deviation 2022-2019 (+/-)
Total amount of public and government-backed debt	1.998.275.4	2.551.935.6	2.671.827.6	4.071.683.1	+2.073.407.7
Public debt	1.761.369.1	2.259.231.8	2.362.492.9	3.715.120.8	+1.953.751.7
External	931.874.0	1.258.521.9	1.299.934.1	2.325.430.5	+457.816.3
Internal	829.495.1	1.000.709.9	1.062.558.7	1.389.690.3	+560.195.2
Government-backed debt	236.906.3	292.703.8	309.334.7	356.562.3	+119.656.0
External	227.347.6	260.412.9	260.295.9	285.515.1	+58.167.5
Internal	9.558.7	32.291.0	49.038.8	71.047.3	+61.488.6

Source: developed by the authors based on data of the Ministry of Finance of Ukraine (2019-2022)

The data analysis shows that from 2019 to 2022, the national debt tended to grow, in particular, in 2020, compared to 2019, it increased by UAH 497,862.7 million. The public external debt increased by UAH 326,647.9 million, and internal debt – by UAH 171,214.8 million. Govern-

ment-backed debt increased by UAH 65,356.2 million in 2020, including external – by UAH 33,065.3 million, and internal – by UAH 22,732.3 million.

In 2021, compared to 2020, the volume of public debt increased by UAH 103,261.1 million. Public external debt

increased by UAH 41,412.2 million, and internal debt – by UAH 61,848.8 million. Government-backed debt increased by UAH 16,630.9 million in 2021, in particular, internal debt – by UAH 16,747.8 million, but the government-backed external debt decreased by UAH 117 thousand.

Compared to 2021, the public debt increased by UAH 1,352,889 million in 2022, of which the volume of external public debt increased by UAH 1,025,496.4 million, while internal debt increased by

UAH 327,131.6 million. As for the government-backed debt, in 2022, it is expected to increase by UAH 47,227.6 million, including an increase in the government-backed external debt by UAH 25,219.2 million and an increase in the government-backed internal debt by UAH 22,008.5 million.

Thus, over the past four years there has been a rapid increase in the total volume of public and government-backed

debt, in particular, in 2020 compared to 2019, increased by UAH 553,660 million, in 2021 – by UAH 119,892.0 million. This increase is explained by the spread of the COVID-19 virus, when the state needed additional funds for treatment and overcoming the disease. In 2022, compared to 2021, there was a significant increase in public debt by UAH 1,399,855.5 million. This trend is explained by the beginning of a large-scale war, during which Ukraine needed to attract additional financial resources in order to ensure the country's defense capability.

Figure 2 shows the dynamics of growth of the public external and internal debt of Ukraine during 2019-2022. In particular, the public external debt increased by UAH 1,393,556.5 million in 2022 compared to 2019. On the other hand, internal debt tended to grow moderately every year, growing by UAH 560,195.2 million over a total of four years.

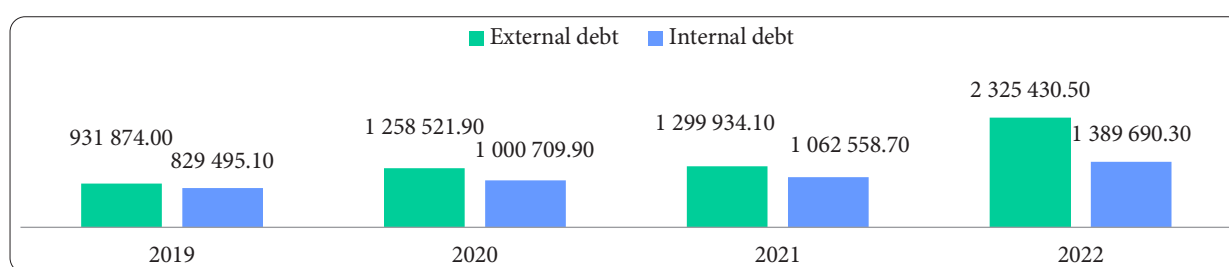


Figure 2. Dynamics of Ukraine's public debt during 2019-2022, mln. UAH

Source: developed by the authors based on data of the Ministry of Finance of Ukraine (2019-2022)

Figure 3 shows the dynamics of government-backed public debt of Ukraine during 2019-2022. Thus, as can be seen from Figure 3, the government-backed public debt, both external and internal, also tended to increase during

the study period. Notably, the government-backed external debt increased by UAH 33,065.3 million during 2019-2020, but in 2021, there was a slight decrease of UAH 117 thousand, while in 2022 it again increased by UAH 25,219.2 million.

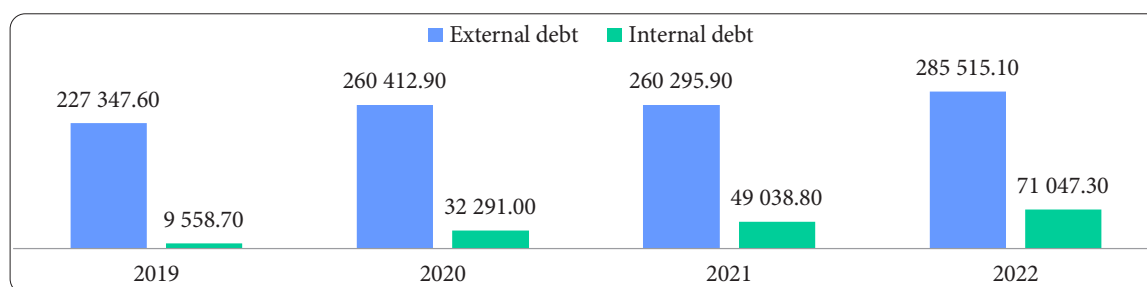


Figure 3. Dynamics of government-backed public debt of Ukraine during 2019-2022, mln. UAH

Source: developed by the authors based on data of the State Statistics Service of Ukraine (2019-2022)

Notably, the analysis of government-backed internal debt tends to increase during the study period. In total, during 2019-2022, it increased by UAH 61,488.6 million.

Table 3 shows an analysis of indicators of the ratio of the public debt of Ukraine to the level of gross domestic product based on data from the Ministry of Finance of Ukraine.

Table 3. Dynamics of the total public debt and GDP of Ukraine from 2019 to 2022 (mln. UAH)

Years	Public debt. mln. UAH	Gross domestic product. mln. UAH	The ratio of public debt to GDP. %
2019	1,998,275.4	3,974,564.0	71.8
2020	2,551,935.6	4,194,102.0	60.8
2021	2,671,827.6	5,459,574.0	48.9
2022	4,071,683.1	3,821,701.8	106.5

Source: developed by the authors based on data from the State Statistics Service of Ukraine (2019-2022)

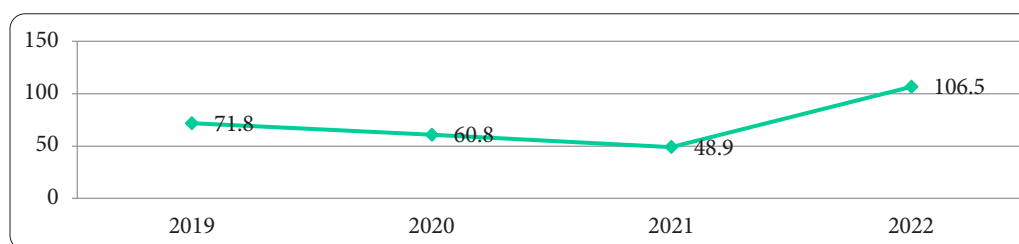


Figure 4. Dynamics of public debt in relation to GDP, %

Source: developed by the authors based on data from the State Treasury Service of Ukraine (2019-2022)

Data from Table 3 and Figure 4 indicate a negative dynamics of changes in the ratio of total public debt to GDP, since the indicator exceeds the maximum permissible value of 60%, which is defined in Article 18 of the Budget Code of Ukraine (Budget Code of Ukraine, 2010).

This leads to a significant debt burden on the Ukrainian economy and debt security in general. In particular, in 2019, the ratio of public debt to GDP exceeded the maximum permissible value by 11.8%, in 2020 – by 0.8%, and in 2021 the indicator was within the permissible value. Such positive changes are caused by the growth of real GDP and

the increase in the real exchange rate of the UAH. But in 2022, there was a rapid increase in the ratio of public debt to GDP, which exceeded the limit value of 60% by 46.5%. First of all, this trend was caused by a drop in GDP, and in 2022 compared to 2021, this indicator decreased by UAH 1,637,872.2 million.

Analysis of budget expenditures for repayment and servicing of the public debt of Ukraine

A constant increase in the volume of public debt is accompanied by an increase in the volume of repayment and servicing costs (Table 4).

Table 4. Budget expenditures for repayment and servicing of the public debt of Ukraine in 2019-2022, mln. UAH

Indicators	2019	2020	2021	2022	Deviation 2022-2019 (+/-)
Public debt repayment expenses	345 200.0	385 500.0	443 550.0	425 530.0	+80 330.0
Expenses for repayment of public internal debt	261 400.0	239 900.0	332 430.0	338 500.0	+77 100.0
Expenses for repayment of public external debt	83 800.0	145 600.0	111 120.0	87 030.0	+3 230.0
Public debt servicing costs	119 200.0	119 700.0	138 580.0	253 860.0	+134 660.0
Total expenses (for repayment and servicing)	464 400.0	505 200.0	582 130.0	679 390.0	+214 990.0

Source: developed by the authors based on data from the Ministry of Finance of Ukraine (2019-2022)

According to the analysis of budget expenditures for repayment and servicing of public debt, it can be concluded that total expenditures for repayment of public debt during 2019-2021 increased by UAH 98,350.0 million. In 2022, compared to 2021, there was a decrease in debt repayment costs by UAH 18,020.0 million. As for public debt servicing expenses, they grew every year, in particular, in 2020 compared to 2019, expenses increased by UAH 500 thousand, in 2021 – by UAH 18,880 million, and in 2022 – by UAH 115,280 million. Total expenditures on public debt

repayment and servicing during 2019-2022 have a negative upward trend. In 2020, their volume increased by UAH 40,800 million, in 2021 – by UAH 76,930 million, and in 2022 – by UAH 97,260 million.

Notably, the main source of repayment of public debt is new borrowing, so Ukraine will have to repay its debts for a long time. Based on the data of the Ministry of Finance of Ukraine, Table 5 shows the projected amount of expenditures for the next four years that Ukraine will have to allocate for repayment and servicing of public debt.

Table 5. Projected budget expenditures for repayment and servicing of Ukraine's public debt in 2023-2026, mln. UAH

Indicators	2023	2024	2025	2026	Deviation 2026-2023 (+/-)
Public debt repayment expenses	234.270.0	237.320.0	200.961.0	141.830.0	-92.440.0
Expenses for repayment of public internal debt	129.040.0	66.240.0	68.111.0	29.490.0	-99.550.0
Expenses for repayment of public external debt	105.230.0	171.080.0	132.850.0	112.340.0	+7.110.0

Table 5. Continued

Indicators	2019	2020	2021	2022	Deviation 2022-2019 (+/-)
Public debt servicing costs	119.330.0	101.140.0	86.910.0	72.900.0	-46.430.0
Total expenses (for repayment and servicing)	353.610.0	338.470.0	287.870.0	214.730.0	-138.880.0

Source: developed by the authors based on data from the Ministry of Finance of Ukraine (2019-2022)

The analysis shows that in 2023, compared to 2022, total expenditures on public debt repayment will decrease by UAH 191,260 million, of which the cost of repayment of the public internal debt will decrease by UAH 209,460 million, but the cost of paying off external debt will increase by UAH 18,200 million. Public debt servicing costs will decrease by USD 134,530 million in 2023. In general, the number of expenditures on repayment and servicing of public debt will decrease by UAH 325,780 million. During 2023-2026, there is a positive trend towards a decrease in the total amount of expenditures on repayment and servicing of public debt, in particular, in 2024, compared to 2023, the number of expenditures will decrease by UAH 15,140 million, in 2025 – by UAH 50,600 million, in 2026 – by UAH 73,140 million.

In general, it can be concluded that with each subsequent year, the volume of expenditures on servicing and repaying public debt will decrease, which is a positive phenomenon. Thus, if Ukraine does not borrow new funds, then in a few years it will be able to fully repay its debt.

The main reasons for the growth of public debt and recommendations on ways to reduce it

From the analysis, it can be concluded that the main reasons for the growth of public debt in recent years were the COVID-19 epidemic, for which significant amounts of funds were allocated and the outbreak of war on the part of Russia.

Other reasons for the increase in public debt include the following:

- 1) decline in production and reduction of tax revenues;
- 2) decrease in real GDP;
- 3) state budget deficit and negative trade balance;
- 4) accumulation of debt for repayment and servicing of public debt of the previous period;
- 5) increase in public spending without corresponding revenues;
- 6) unfavourable investment climate;
- 7) devaluation of the national currency exchange rate;
- 8) financing of state-owned enterprises and banks;
- 9) support for small and medium-sized businesses;
- 10) incompetence of state authorities in managing budget revenues and expenditures (Myskiv, 2020).

In order to improve the financial situation of Ukraine, the government's priority task should be to develop an effective strategy for public debt management. An important task in public debt management is to determine an effective model of institutional support for public credit management. Today, Ukraine uses a government and partly banking model of public debt management, in which the main tasks are performed by the Ministry of Finance and the

State Treasury, and external debt management is carried out through the Central Bank. But world experience shows the inefficiency of these management models. At the present stage, developed countries, such as Germany, France, Belgium, Austria, Portugal, etc., use the agency model of public debt management, which forms a separate structure or agency that deals exclusively with public debt management. Its main task is to select the most effective methods of public debt management (Hrynychutskyi, 2018).

According to the authors of this study, in order to effectively manage public debt and reduce its volume, the following recommendations should be proposed:

- 1) search for additional sources of funds;
- 2) development and legislative approval of the state's debt strategy;
- 3) introduction of debt security monitoring;
- 4) optimisation of the level of tax revenues by stimulating the development of small and medium-sized businesses;
- 5) fight against the shadow economy, which is the cause of tax evasion;
- 6) expansion of cooperation with international financial organisations.

Discussion

As noted earlier, a significant number of researchers have investigated the impact of public debt on the country's economy. Even the Western economist and representative of the school of political economy J.M. Keynes (1936) was inclined to believe that public debt is an integral element of public finance and is an effective means of achieving demand that stimulates production and employment growth. O.R. Zakhidna *et al.* (2020) highlighted not only the negative impact of government borrowing, but also the positive, they argued that borrowing is an incentive for domestic investment. It is worth agreeing with the opinions of T. Marshalok & I. Moroz (2019), who considered the perception of a purely positive or negative phenomenon to be erroneous. They argued that under various conditions, public debt has an ambiguous impact on the country's economy. From a positive standpoint, public debt is the attraction of additional financial resources to meet public needs in the presence of a budget deficit. While from another point, the national debt is a burden, since it requires a significant amount of budget resources for servicing. Therefore, an important task is to ensure an optimal ratio of these two alternatives, which can only be achieved by building a rational public debt management system.

French economist P. Leroy-Beaulieu (1875) also held the view that public debt can be viewed from both the

positive and negative sides. He claimed that humanity was able to make significant progress on the way to civilisation precisely because of borrowing. Instead, the researcher emphasises that it is necessary to be able to use borrowed resources, since their inefficient use can cause negative consequences for the country's economy.

Comparing the conclusions of the authors of this study with the conclusions of other researchers, they differ somewhat. Western economists, along with the negative impact of debt, consider the positive, but in this study, the authors do not consider the positive impact, since they analyse the national debt in specific conditions, namely, under martial law, and prove that public debt has an exceptionally negative impact on the socio-economic development of the state and cannot have a positive impact in any way. The authors of this study share the views of such scholars as F. Modigliani (1961), R. Barro (1979) & G. Saint-Paul (1992), who also described the negative impact of debt on economic development and argued that an increase in public debt under any circumstances leads to a decrease in economic growth. Servicing the growing public debt requires increased spending, which leads to a decline in economic growth.

For many years, researchers have been trying to investigate the dependence of GDP on the size of public debt. C. Reinhart & K. Rogoff (2010) considered the issue of slowing economic growth as a result of public debt and concluded that public debt does not have a negative impact on economic growth until it exceeds 90% of GDP. However, further studies have not confirmed these findings. I. Dmytriiev *et al.* (2022) concluded that public debt begins to slow economic growth when it reaches 70% of GDP. But in the presented study, the authors concluded that the permissible value of public debt should not exceed the maximum 60% of GDP. Whereas T. Shahor (2018) argues that relatively low levels of the ratio of public debt to GDP have a positive impact on economic growth, and only at higher levels of this ratio does the marginal effect become negative. The researcher determined that the limit of the debt-to-GDP ratio is 130%, and not 90%, as was established in previous studies.

In this study, the authors provided recommendations for the implementation of effective public debt management and reducing its volume without prejudice to the state, among which the main one is the development of an effective public debt management strategy. Also necessary measures to reduce the level of public debt are increasing the level of GDP, combating the shadow economy, stimulating the development of small and medium-sized businesses to increase tax revenues to the budget, reducing the level of external lending, and attracting loans from domestic creditors. T. Marshalok & I. Moroz (2019) provided slightly different proposals for reducing public debt. They note that, first of all, it is necessary to simplify the tax system to balance revenues and expenditures, as well as increase the amount of public spending on innovation activities. But such recommendations as the use of domestic borrowing, support for entrepreneurship can also be traced in the study. I.E. Ajayi

& D.G. Edewusi (2020) also share this view, concluding that domestic borrowing should be chosen by the government when financing the deficit. L. Mutsakani (2022) argues that in addition to recommendations developed by other authors to reduce public debt, it is worth paying considerable attention to direct investment, as this will help close capital gaps and reduce the need for external borrowing.

Thus, the existence of the public debt is a big problem and a significant burden on the country's economy, since in the presence of public debt, a large number of resources are lost, in particular for servicing and paying off public debt. But in the absence of debt, these funds could be used for the development of the country.

Conclusions

The analysis shows that public debt is an important problem for Ukraine, as it slows down the development of the country's economy.

In Ukraine, there is a tendency to increase the volume of public debt at a fairly rapid pace, so in 2022 it significantly exceeded the permissible limit and reached 106.5%.

The main reasons for the growth of public debt are the COVID-19 epidemic and the beginning of armed aggression by Russia. Other reasons include: a decline in the exchange rate of the national currency against the US dollar, a decline in production and a reduction in tax revenues, a decrease in real GDP, a state budget deficit and a negative balance of payments, an increase in spending on the country's defence capability and servicing public debt.

The rapid growth of Ukraine's public debt can lead to negative economic and social consequences. If the debt is not reduced and the situation does not improve, it is easy to predict that in a few years Ukraine will be at the stage of bankruptcy.

Therefore, in order to reduce the country's public debt, first of all, it is necessary to raise the level of GDP, stimulate the development of small and medium-sized businesses to increase tax revenues to the budget, develop an effective strategy for managing public debt, reduce the level of external lending, and instead attract loans from domestic creditors, since this will not cause the outflow of domestic capital abroad. It is equally important to study the foreign experience of the economically developed countries of the world in the development of debt policy.

Thus, solving the problem of Ukraine's debt in the short term will contribute to its economic growth and ensure a stable financial situation in the country.

According to the author's team, a promising area for further research is to detail the definition of ways and optimisation tools for effective management of the public debt of Ukraine in order to reduce its volume and increase the competitiveness of the economy.

Acknowledgements

None.

Conflict of Interest

None.

References

- [1] Ajayi, I.E. & Edewusi, D.G. (2020). [Effect of public debt on economic growth of Nigeria: an empirical investigation](#). *International Journal of Business and Management Review*, 8(1), 18-38.
- [2] Barro, R. (1979). [On the Determinants of the Public Debt](#). *Journal of Political Economy*, 87(5), 940-971.
- [3] Budget Code of Ukraine No. 2456-VI. (2023). Retrieved from <https://zakon.rada.gov.ua/laws/show/2456-17/page#Text>.
- [4] Dubnytska, N.I. (2007). Public debt. *Transitional Economic Systems*, 6, 107-108.
- [5] Dmytriiev, I., Levchenko, Ia., Prokopenko, M., Beketov, Yu., & Malikov, V. (2022). Development of a marketing strategy to improve the market activities of agricultural and processing enterprises on the example of company policy. *Scientific Horizons*, 25(8), 125-133. doi: 10.48077/scihor.25(8).2022.125-133.
- [6] Hrynychtskyi, R.V. (2018). *Models of public debt management: international experience*. Retrieved from https://elartu.tntu.edu.ua/bitstream/123456789/19970/2/IVMNK_2013_Grynchysky_R_V-Management_model_127-129.pdf.
- [7] Kachula, S.V., Pavlova, H.Ye., Lysiak, L.V., Dobrovolska, O.V. & Katan, L.I.(2021). *The budget system of Ukraine: education. manual in diagrams and tables*. Dnipro: Monolyt.
- [8] Keynes, J.M. (1936). *The General Theory of Employment, Interest and Money*. Retrieved from https://www.files.ethz.ch/isn/125515/1366_KeynesTheoryofEmployment.pdf.
- [9] Khoma, I.B. & Papirnyk, S.Ye. (2020). [Analysis of the public debt of Ukraine: current state and directions for optimization](#). *Scientific Bulletin of the Uzhhorod National University*, 33(2), 108-114.
- [10] Leroy-Beaulieu, P. (1875). *La Dette publique en France, study and analysis of an article by M. P. Leroy-Beaulieu (Excerpt from the Journal de la Meurthe et des Vosges)*. Nancy: Typography G. Crepin-Leblond.
- [11] Liutyi, I.O. & Zykova, S.I. (2019). State debt of Ukraine: dynamics and directions of management. *Business Inform*, 2, 383-389. doi: 10.32983/2222-4459-2019-2-383-389.
- [12] Marshalok, T. & Moroz, I. (2019). [The influence of the state debt on the economic development of the country](#). *The World of Finance*, 2, 23-36.
- [13] Melykh, O.Yu. (2019). [State credit and the current state of the state debt of Ukraine](#). *Electronic Scientific Publication*, 12, 1-10.
- [14] Mill, J. S. (1848). *“Principles of Political Economy”* London: John W. Parker.
- [15] Ministry of Finance of Ukraine (2019-2022). (n.d.). State debt statistics. Retrieved from <https://mof.gov.ua/uk/derzhavnij-borg-ta-garantovaniy-derzhavju-borg>.
- [16] Mutsakani L. (2022). An examination of the effects of external debt on the economic growth of Zimbabwe. *Journal of Economics and Finance*, 13(3), 18-27. Retrieved from https://www.researchgate.net/publication/361567575_An_Examination_of_the_Effects_of_External_Debt_on_the_Economic_Growth_of_Zimbabwe.
- [17] Modigliani, F. (1961). [Long-run implications of alternative fiscal policies and the burden of the national debt](#). *Economic Journal*, 71(284), 730-755.
- [18] Myskiv, H.(2020). *The budget system: theoretical and practical aspects (in diagrams and tables): teaching manual*. Lviv: Rastr-7.
- [19] Oparin, V.M.(2004). *Finance (General theory): education. manual*. Kyiv: KNEU.
- [20] Orlyuk, O.P. (2003). *Financial law*. Kyiv: Yurinkom Inter.
- [21] Official website of the State Statistics Service of Ukraine (2019-2022). Retrieved from <https://www.ukrstat.gov.ua/>.
- [22] Official website of the State Treasury Service of Ukraine (2019-2022). Retrieved from <https://www.treasury.gov.ua>.
- [23] Reinhart, C. & Rogoff, K. (2010). [Growth in time of debt](#). *American Economic Review*, 100(2), 573-578.
- [24] Ricardo, D. (1817). *The Principles of Political Economy and Taxation*.-London: John Murray.
- [25] Romanenko, O.R., Ohorodnyk, S.Ya. & Ziaziuk, M.S. (2003). *Finance: teaching method. manual*. Kyiv: KNEU.
- [26] Romankova, O.M. (2021). [Study of the current state and analysis of the state debt of Ukraine](#). *Economy and Society*, 1, 25-38.
- [27] Saint-Paul, G. (1992). [Fiscal policy in an endogenous growth model](#). *Quarterly Journal of Economics*, 107(4), 1243-1259.
- [28] Shahor, T., (2018). [The impact of public debt on economic growth in the Israeli economy](#). *Israel Affairs*, 24(2), 254-264.
- [29] Slaviuk, N. (2018). Public debt of Ukraine: trends and consequences. Scientific notes of NaUKMA. *Economic Sciences*, 3(1), 101-106. doi: 10.18523/2519-4739312018150636.
- [30] Smith, A. (1776). *An Inquiry into the Nature and Causes of the Wealth of Nations*. London: W. Strahan and T. Cadell.
- [31] Stoiko, O.Ya. & Shubenko, I.A. (2021). [Assessment of the state of Ukraine’s public debt and directions for its optimization](#). *Problems of the Economy*, 1, 123-133.
- [32] Vakhnenko, T. P. (2009). Peculiarities of formation of public debt and management of its components during the financial crisis. *Finances of Ukraine*, 6, 14-28.
- [33] Zakhidna, O.R., Baik, A.I. & Ohirko, O.T. (2020). [State debt of Ukraine and its repayment](#). *A Young Scientist*, 12(88), 115-120.

- [34] Zakhidna, O.R., Kruhliakova, V.V. & Kravchuk, A.S. (2021). [The current state of the national debt of Ukraine](#). *A Young Scientist*, 12(100), 267-271.
- [34] Zubenko, V.V. (2017). *Modern budget system: rules and procedures: education. manual*. Retrieved from https://www.ibser.org.ua/sites/default/files/170x240_preview_0.pdf.
-

Державний борг України: сутність, сучасні тенденції та управління

Ганна Іванівна Самусь

Кандидат економічних наук, старший викладач
Конотопський інститут Сумського державного університету,
41615, вул. Садова 32, м. Конотоп, Сумська область, Україна
<https://orcid.org/0000-0002-6962-5450>

Олена Василівна Циганенко

Кандидат економічних наук, старший викладач
Конотопський інститут Сумського державного університету,
41615, вул. Садова 32, м. Конотоп, Сумська область, Україна
<https://orcid.org/0000-0001-5706-5620>

Аліна Олександрівна Медвідь

Студентка
Конотопський інститут Сумського державного університету,
41615, вул. Садова 32, м. Конотоп, Сумська область, Україна
<https://orcid.org/0009-0008-4062-9192>

Анотація. На сучасному етапі ринкової економіки, в умовах стрімкого розвитку глобалізації та співпраці держав у політичних, економічних та соціальних аспектах державний борг є об'єктивно зумовленим явищем, він є невід'ємною складовою фінансової системи країни. Сьогодні Україна знаходиться у складному становищі, викликаному початком широкомасштабної війни з росією, що є однією з головних причин існування державного боргу. Внаслідок недостатньої кількості грошових ресурсів бюджету, держава змушена залучати фінансові ресурси з метою виконання покладених на неї функцій. Метою даної статті було обґрунтування теоретичної сутності державного боргу, аналіз сучасних тенденцій формування державного боргу, визначення шляхів оптимізації для ефективного управління державним боргом з метою його зменшення. У роботі авторами було використано такі наукові методи: емпіричний (опис та порівняння), теоретичний (аналіз, синтез, узагальнення), статистичний.. У статті розглянуто сутність державного боргу згідно з поглядами зарубіжних та вітчизняних вчених. На основі статистичних даних охарактеризовано сучасний стан державного боргу України, проведено аналіз динаміки державного та гарантованого державою боргу за період 2019-2022 рр. Проаналізовано обсяг видатків на погашення та обслуговування державного боргу України. На основі проведеного дослідження виявлено основні причини наявності та зростання боргу, серед яких епідемія COVID-19 та початок збройної агресії з боку росії; зниження курсу національної валюти; спад виробництва та скорочення податкових надходжень; зменшення обсягу реального внутрішнього валового продукту; дефіцит державного бюджету та негативне сальдо платіжного балансу; збільшення видатків на забезпечення обороноздатності країни та обслуговування державного боргу. Запропоновані рекомендації, що дозволять зменшити державний борг країни та підвищать конкурентоспроможність економіки на світовому рівні, а саме: підвищення рівня ВВП, стимулювання розвитку малого та середнього підприємництва з метою збільшення податкових надходжень до бюджету, розроблення ефективної стратегії управління державним боргом та ін.

Ключові слова: державні запозичення; валовий внутрішній продукт; бюджетний дефіцит; обслуговування державного боргу; управління державним боргом