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## **FINANSIAL STABILITY AND ITS ROLE IN ENSURING ECONOMIC GROWTH**

The purpose of the article is to study the concept of financial stability, its importance for economic growth, and to identify the key factors that contribute to its achievement. The article also aims to analyze the challenges faced by financial sector regulators in maintaining financial stability and to propose possible solutions to overcome them.

Financial stability is the state of the financial system in which it is able to properly perform its main functions, such as financial intermediation and making payments, as well as withstand crisis phenomena. A stable financial system guarantees the uninterrupted operation of financial institutions, markets and infrastructure, which are vital for supporting investment, lending, international trade and overall economic development.

One of the key factors of financial stability is a healthy banking system. Banks play a central role in financial intermediation, distributing savings from lenders to borrowers. Problems in the banking sector, such as poor asset quality, capitalization or illiquidity, can have serious consequences for the economy. Therefore, financial regulators should carefully monitor the performance of banks and take timely measures to maintain the stability of banks.

In addition, financial stability is closely related to the normal functioning of capital markets. Efficient, liquid markets for stocks, bonds and derivatives provide companies with alternative sources of financing and facilitate risk sharing. However, excessive volatility and speculation in these markets can threaten financial stability, especially if they undermine investor confidence.

Another important aspect of financial stability is the regulation of non-bank financial institutions such as insurance companies, pension funds and hedge funds. These institutions may pose systemic risks due to their investment strategies, high levels of leverage or cross-industry correlations. Proper supervision of these institutions is necessary to ensure the stability of the entire financial system.

In addition to internal factors, financial stability is largely dependent on external conditions, such as global economic conditions, capital flows and geopolitical instability. For example, sudden changes in commodity prices can have a significant impact on the economies of commodity-exporting countries and lead to financial instability. Similarly, unpredictable changes in the monetary policy of the world's leading economies can cause significant upheavals in financial markets.

Regulators must take comprehensive measures to ensure financial stability. First, prudential regulation and supervision of financial institutions must be strengthened to ensure their resilience to shocks and proper risk management. Second, effective macro prudential instruments, such as countercyclical capital buffers and leverage limits, should be implemented to mitigate systemic risks and cyclical fluctuations in financial markets.

In addition, regulators should promote effective bankruptcy resolution and debt restructuring mechanisms to minimize systemic risks when large financial institutions fail. It is also important to ensure appropriate transparency and disclosure in financial markets to maintain investor confidence and prevent panic.

Finally, international coordination and cooperation between regulators in different jurisdictions is critical to effectively manage cross-border risks and prevent the spread of financial instability. Organizations such as the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS) play an important role in setting global standards and principles for financial sector supervision.

**Conclusion.** Financial stability is a key factor in the economic growth and prosperity of any country. Its implementation requires complex control, international coordination and other measures, as well as an unchanging financial system that will guarantee constant financing of investments and trade.

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