

UDC 336.717.18

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THE ROLE AND IMPORTANCE OF LIQUIDITY IN ENSURING THE FINANCIAL SECURITY OF A COMMERCIAL BANK

Financial security is one of the most critical components of a commercial bank's stable functioning and development. Liquidity, defined as the bank's ability to timely fulfill its obligations to clients and counterparties, plays a key role in ensuring financial security. In the current environment of dynamic financial market development, economic uncertainty, and stricter regulatory requirements, effective liquidity management has become increasingly relevant.

Liquidity forms the foundation for building trust among clients, shareholders, and other stakeholders.

It affects all aspects of a financial institution's operations, including:

1. **Operational Stability.** Liquidity allows a bank to avoid delays in meeting obligations and ensures a steady cash flow.
2. **Trust in the Bank.** A high level of liquidity reduces the risk of panic-driven withdrawals by clients.
3. **Competitiveness.** Banks with adequate liquidity levels can offer favorable terms to clients and expand their market presence.

Effective liquidity management ensures financial stability, reduces the risk of default, and supports adaptation to changes in the external environment.

The primary roles of liquidity in financial security include:

1. **Maintaining Solvency.** Liquidity ensures the bank's ability to meet its short-term obligations to depositors and creditors.
2. **Crisis Protection.** High liquidity levels reduce the likelihood of financial difficulties during economic crises or stressful market conditions.
3. **Regulatory Compliance.** Adhering to regulatory liquidity requirements (such as LCR and NSFR) is a critical indicator of a bank's reliability.

The liquidity level of banks is influenced by both external and internal factors:

External Factors: Economic stability, monetary policy, regulatory requirements, and market competition.

Internal Factors: The structure of the bank's assets and liabilities, quality of management, and the size of liquidity reserves.

To ensure financial security, banks employ a range of liquidity management tools, including:

1. **Analysis and Monitoring.** Regular tracking of financial flows and forecasting potential risks.
2. **Reserving.** Creating liquidity reserves to cover unforeseen expenses.
3. **Diversification of Funding Sources.** Attracting funds from various sources to reduce dependence on individual creditors.
4. **Asset and Liability Management.** Aligning the terms and volumes of obligations to prevent liquidity shortages.

Contemporary challenges include economic instability, increasing competition in financial markets, and the implementation of new regulatory standards. Simultaneously, technological innovations, such as financial process automation and the use of big data, offer opportunities to enhance liquidity management efficiency.

Liquidity is a strategic resource for commercial banks, ensuring financial security and operational stability. Effective liquidity management enhances a bank's resilience to crises,

strengthens its competitive position, and ensures compliance with regulatory requirements. As financial markets grow increasingly complex, improving approaches to liquidity assessment and management is a vital prerequisite for ensuring the reliability of the banking system.

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