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Financial Development Strategies of Countries: Identifying Priority Financial Instruments

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Abstract

The effectiveness of financial development strategies for countries depends on the methodology used for their formation and implementation. However, a review of the literature reveals that the methodology for implementing these strategies is not fully developed. Therefore, this study aimed to create a methodology for implementing financial development strategies by identifying priority financial instruments. The study utilized rule-based judgment, iterative methods, and the "GAP" method. As a result, the "5S+" concept was developed—an expanded version of the "5S" concept. The novelty of the "5S+" concept lies in its inclusion of financial instruments, as well as the rules and methods for determining priority financial instruments. This is the first time such a modification of the "5S" concept is proposed. The "5S+" concept was tested using data from the UK for 2007-2022. The test results allowed us to determine the UK's strategic financial development goals for 2023-2025 and identify priority financial instruments necessary to achieve these goals across the board. The expanded "5S" concept is highly representative, objective, and broadly applicable. It enhances the existing methodology for strategic financial development management and introduces new opportunities for improving the quality of strategic policy documents.

Keywords:

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1- Introduction

The level of financial development in countries depends on the individual choices of economic entities regarding the directions, methods, instruments, and products that form their financial obligations and financial assets. The decisions made are based on both public and private interests, which, owing to potential contradictions and a lack of awareness among businesses and the public regarding state interests, can hinder financial development processes.

To eliminate these barriers, public authorities need to ensure transparency concerning the results achieved, goals, principles, and priorities of financial development. This information will allow businesses and the public to gain a holistic view of the future state of the financial system, as well as the goals, objectives, and measures the state will undertake to facilitate its development. Thus, transparency creates the prerequisites for achieving a balance between public and private interests.

At present, many countries are actively engaged in developing and implementing financial development strategies. Analyses have confirmed that these strategies contribute to the deepening of the financial sector, expanding its coverage and stability [1–3]. However, as noted in Gould & Melecky (2017) [4] study, the positive effect of such influence largely

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depends on the quality of the strategies developed. The quality of these strategies, in turn, relies on the methodology of their formation and implementation [5].

An analysis of publications on the methodology of strategic management in financial development reveals that the most studied area at this point is the selection of indicators of financial development and the formation of strategic goals. The mechanism for achieving these goals has rarely been analyzed. Available publications on this topic are often fragmented and thematically focused. For example, most authors pay attention to the role of the banking system in the financial development of the state [6], the relationship between financial development and the development of information technology and electricity consumption [7], and the impact of the financial literacy of the population on the economy and financial system of the state [8]. They provide recommendations on the use of individual methods of financial development but do not contain recommendations on the selection of priority financial instruments from their entire multitude, taking into account the relationships between these instruments. This indicates the need for further fundamental research in the field of strategic management of financial development.

The purpose of this study is to develop a methodology for implementing financial development strategies by determining priority financial instruments.

To achieve this goal, an expanded version of the "5S" concept was proposed, which includes financial instruments along with rules and methods for determining priority financial instruments. The extended version of the "5S" concept was tested via UK data for 2007-2022. On the basis of the test results, we determined the UK's strategic financial development goals for 2023-2025 and identified priority financial instruments that allow for the achievement of strategic goals across the entire spectrum. The study's results were validated for adequacy by comparing them with results from similar studies conducted earlier.

2- Literature Review

The growing practical interest in the strategic management of countries' financial development has led to the emergence of numerous publications in the form of policy documents that outline the goals of financial development, the main directions, and ways to achieve them [9–17]. However, an analysis of the quality of these documents revealed the following issues:

- The documents are fragmented and thematic, which does not allow businesses and the public to gain a holistic view of the future state of financial systems. Consequently, they cannot make financial decisions that align with state interests;
- The documents lack quantitative values for strategic goals, making it challenging to monitor the achievement of these goals;
- The documents lack justification for the choice of priority areas, ways, means, and tools for achieving strategic goals, hindering the understanding of state interests and the assessment of the quality of state strategic decisions;
- The introduction of new financial instruments (sustainable bonds and loans, bonds and loans linked to key performance indicators in sustainable development, transitional climate bonds and loans, "green" mortgage loans, and others) is explained by their contribution to achieving sustainable economic development goals rather than financial development goals;
- The introduction of hybrid financial instruments (digital financial assets, utilitarian digital rights, shares with varying sets of rights, convertible debt instruments, and option programs) aims to achieve a balance of interests between founders, key personnel, and various categories of investors rather than achieving a balance of public and private interests;
- The list of priority financial instruments primarily represents instruments used for financing the economy without proper justification and linkage to the strategic goals of financial development.

An analysis of scientific publications on this topic shows that they focus primarily on determining the role of financial development in countries' economic development [18–27] and analyzing factors of financial development, such as foreign direct investment, state financing of the economy, and geopolitical risk [28–31]. Scientific publications prove the relationship between the financial development of the state and the level of development of financial technologies [32, 33]. Moreover, the development of financial technologies is not a tool but is considered a factor that creates new conditions for financial development. Other authors prove the importance of increasing the level of digital literacy [34] and financial literacy [35] of the population for the purposes of financial development of the state, but increasing the literacy of the population is rather a way than a tool for financial development. These paths cannot be considered financial instruments. Some publications prove the relationship between financial development and the effectiveness of monetary [36] and investment [37] policies, but the instruments of these policies cannot be identified with the instruments of financial development of the state because their influence on the goals of financial development may not always be direct and unambiguous.

Publications on the strategic management of financial development are scarce, mainly concentrating on the choice of financial development indicators [38–46] and offering combinations of quantitative and qualitative criteria for decision-making [47]. Several publications provide recommendations for mitigating or tightening the regulation of financial development under different macroeconomic conditions [48–52].

Studies aimed at identifying priority financial instruments for achieving strategic financial development goals are even rarer. Among these studies, the publication [46] deserves attention. An algorithm for determining promising financial instruments is proposed on the basis of the method of structural differences. The essence of this method is to find the maximum deviations of the structure of financial assets from the reference values. The use of the structure of the financial assets of countries at a higher level of financial development or the leading country in the rating was suggested as a reference. However, for a country that is a leader in the rating, this method cannot be applied.

The methodology for the formation of strategic goals and priorities for countries' financial development is presented explicitly only in the publication [53]. According to this methodology, the "5S" concept is the basis for state strategic decisions. This concept is based on the principles of consistency, comparability, and objectivity of the results obtained and includes rules, indicators, and criteria for the formation of quantified strategic goals, priorities, and ways of financial development. However, despite addressing several important methodological issues, the "5S" concept lacks recommendations for identifying priority financial instruments. Therefore, there is a need to expand this concept. Solving this task will allow for the formation of a more comprehensive methodology for the strategic management of financial development, and the use of this methodology will improve the quality of strategic policy documents.

3- Methods

3-1- Concept

The study employs the concept of forming goals and priorities for countries' financial development, named by the authors "5S+". This concept modifies the previously developed 5S concept, which contains indicators, criteria and rules for the formation of strategic goals, directions and paths of financial development. Following the target guidelines formed on the basis of the concept of "5S" ensures the country's transition to a higher quantitative and qualitative level of financial development, which is reflected in the increase in its competitive position in the relevant ratings of countries. The concept of "5S" was developed on the basis of a systematic approach to measuring financial development and is based on a system of key indicators, including three levels. The first level is represented by a single indicator designed to determine the general strategic goal. The second level consists of five indicators characterizing different aspects of the financial development of countries: speed (S_1), stability (S_2), sovereignty (S_3), structure (S_4), and manageability (S_5). The third level specifies the indicators of the 2nd level in the context of economic sectors. In the developed system of indicators, each level is designed to solve a special management task. In particular, the 1st level indicators are used to determine the quantitative and qualitative characteristics of the general strategic goal, the 2nd level indicators are used to determine the quantitative and qualitative characteristics of the directions of financial development, and the 3rd level indicators are used to determine the quantitative and qualitative characteristics of the paths of financial development.

Despite the importance and scale of the tasks solved via the "5S" concept, this concept does not fully disclose the mechanism for achieving strategic goals. In particular, it does not contain rules that allow the identification of priority tools for achieving strategic goals and the implementation of the main directions and paths of financial development. Eliminating this gap requires modifying the "5S" concept by including financial instruments (Figure 1).

The solution to this problem led to the creation of an extended version of the "5S" concept (5S+), which contains the following elements of its modification:

- The three-level system of key indicators is supplemented with a fourth level encompassing all financial instruments: monetary gold and SDRs, currency and deposits, debt securities, loans, equity and investment fund shares/units, insurance pensions and standardized guarantees, financial derivatives and employee stock options, and other accounts receivable. The fifth level further specifies the indicators of the 4th level by dividing them into two groups: financial instruments that form financial assets (I_a) and financial instruments that form financial liabilities (Il) (see Figure 1 and Table 1).

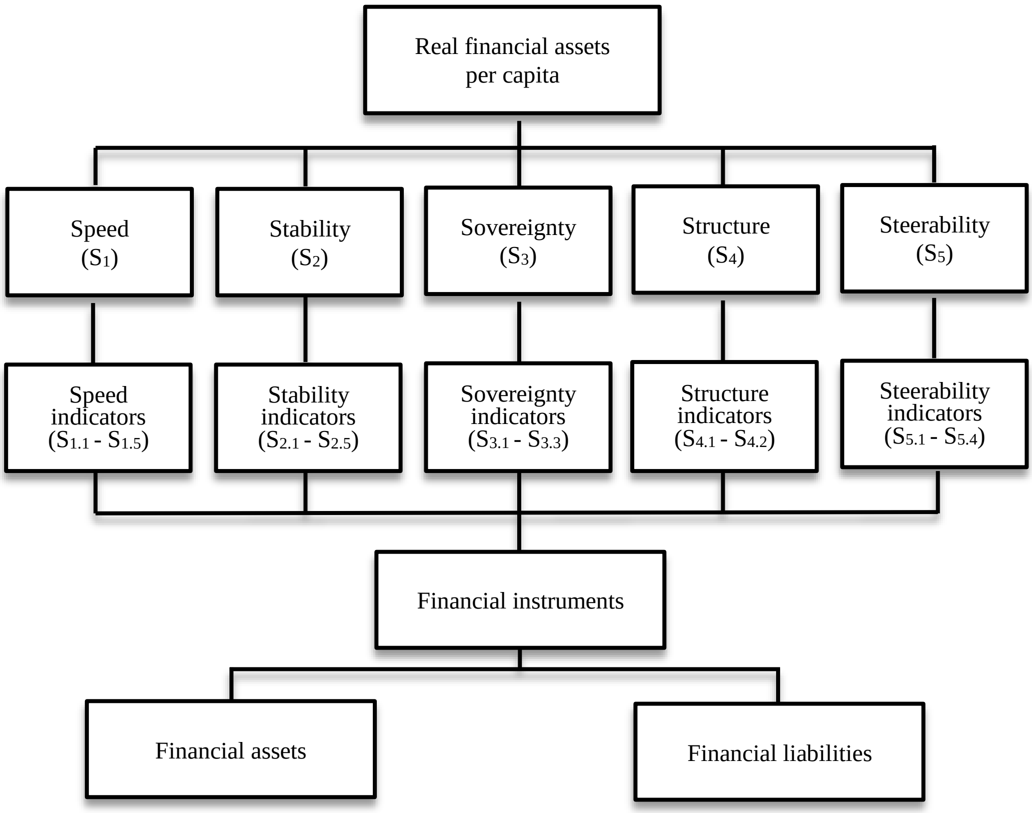


Figure 1. **System of key indicators of countries' financial development**

Table 1. **Financial balance sheet (Authors' development on the basis of SNA materials [54])**

Code of items	Name of elements	Domestic economy	Rest of the World	Total
I. AF	Financial assets	A_1	A_2	A_3
1. AF	Monetary gold and SDRs	a_{11}	a_{12}	a_{13}
2. AF	Currency and deposits	a_{21}	a_{22}	a_{23}
3. AF	Debt securities	a_{31}	a_{32}	a_{33}
4. AF	Loans	a_{41}	a_{42}	a_{43}
5. AF	Equity and investment fund shares/units	a_{51}	a_{52}	a_{53}
6. AF	Insurance pension and standardized guarantees	a_{61}	a_{62}	a_{63}
7. AF	Financial derivatives and employee stock options	a_{71}	a_{72}	a_{73}
8. AF	Other accounts receivable	a_{81}	a_{82}	a_{83}
II. LF	Financial liabilities	L_1	L_2	L_3
1. LF	Monetary gold and SDRs	l_{11}	l_{21}	l_{31}
2. LF	Currency and deposits	l_{12}	l_{22}	l_{32}
3. LF	Debt securities	l_{13}	l_{23}	l_{33}
4. LF	Loans	l_{14}	l_{24}	l_{34}
5. LF	Equity and investment fund shares/units	l_{15}	l_{25}	l_{35}
6. LF	Insurance pension and standardized guarantees	l_{16}	l_{26}	l_{36}
7. LF	Financial derivatives and employee stock options	l_{17}	l_{27}	l_{37}
8. LF	Other accounts receivable	l_{18}	l_{28}	l_{38}
III. CF	Financial capital	C_1	C_2	C_3

- An algorithm for determining the goals of financial instrument development is proposed.
- An algorithm for consolidating the goals of financial instrument development (levels 4-5) with the goals of financial development (levels 1-3) should be developed.
- Determining rules, indicators, and criteria to identify priority financial instruments.

3-2- Methods

The study utilized a rule-based judgment method, an iteration method, and a "GAP" method.

According to the rule-based judgment method, priority financial instruments are selected on the basis of the following rules:

- *Rule 1:* Goals for the development of financial instruments should reflect their real value per capita and include goals for two groups of financial instruments: those forming financial assets (I_a) and those forming financial liabilities (Il).
- *Rule 2:* The quantitative values of financial instruments' development goals should correspond to the quantitatively expressed strategic goals of financial development across the entire spectrum of these goals.
- *Rule 3:* Priority financial instruments are those with the largest gap between their target and actual (previous) values, highlighting the need for state intervention in market processes.

To determine the goals of individual financial instrument development, it is necessary to know the goals for the development of two groups: instrument I_a and instrument Il. The overall objective for Group I_a instrument development is identical to the overall objective of financial development. This is because the general goal of financial development reflects the real value of financial assets per capita, and the amount of Group I_a financial instruments is identical to the amount of financial assets. The goal for Group Il financial instrument development can be determined by following the rules set out in the "5S" concept.

The iteration method is advised for determining the quantitative values of individual financial instruments' development goals. This method involves finding the initial approximate value of the indicators for the next approximation, which is more accurate.

The algorithm of iterations for finding target values of financial instruments is shown in Figure 2.

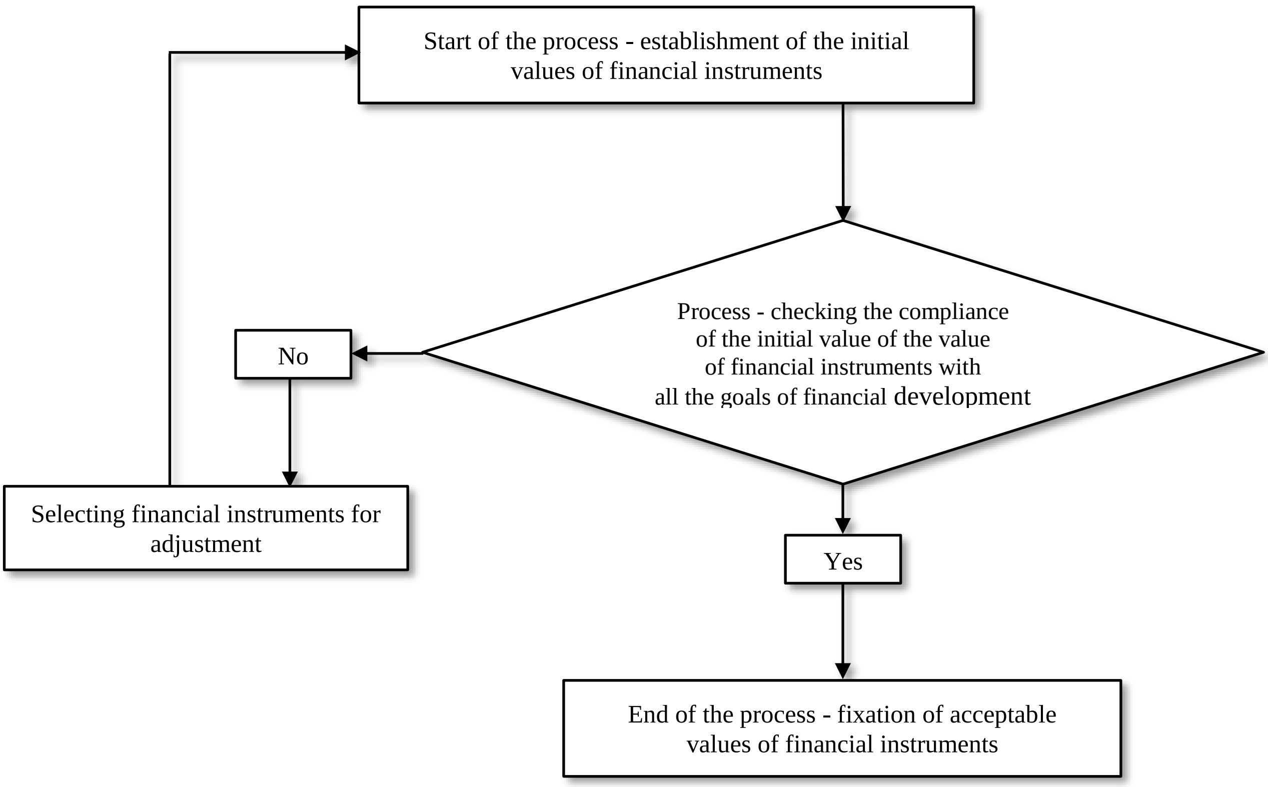


Figure 2. Algorithm of iterations for finding target values of financial instruments

Within the framework of this algorithm (Figure 2), it is advisable to form the initial approximation of the target values of financial instrument development in the following sequence:

First, we determine the goals for the development of the "Debt securities" and "Equity and investment fund shares/units" instruments related to Group Ia. These goals are calculated as follows:

$$I_{a1} = I_{a11} + I_{a12} \quad (1)$$

where:

- I_{a1} is the target value of the debt securities financial instrument,
- I_{a11} is the target value of internal "Debt securities",
- I_{a12} is the target value of external debt securities.

$$I_{a2} = I_{a21} + I_{a22} \tag{2}$$

where:

- I_{a2} is the target value of equity and investment fund shares/units,
- I_{a21} is the target value of internal equity and investment fund shares/units,
- I_{a22} is the target value of external equity and investment fund shares/units.

The target values of instruments I_{a11} and I_{a21} should be identical to the target values of the financial development structure (S_4) in terms of portfolio ($S_{4.1}$) and direct ($S_{4.2}$) investments, respectively. The target values of the remaining instruments from Group Il are set arbitrarily within the remaining amount corresponding to the general objective of financial development (S_1).

Second, the goals for the development of the financial instruments of Group Il. These goals can be calculated on the basis of the target values of financial development sovereignty (S_3) and its components: monetary sovereignty ($S_{3.1}$), debt sovereignty ($S_{3.2}$) and stake sovereignty ($S_{3.3}$).

The target value of the total value of the financial instruments of Group Il is calculated via the following formula:

$$I_1 = I_a - C_3 = I_a - (C_1 + C_2) \tag{3}$$

where:

- I_l is the target value of the financial instruments of the Il group (financial liabilities),
- I_a is the target value of the financial instruments of Group Ia (financial assets),
- C_3 is the target value of equity capital,
- C_1 is the target value of the internal sources of equity capital,
- C_2 is the target value of the external sources of equity capital.

Moreover, the target value of the value of the internal sources of equity capital C_1 is calculated via the following formula:

$$C_1 = S_{3,3} \cdot (I_1 + C_3) \tag{4}$$

where:

- C_1 is the target value of the internal sources of equity capital,
- $S_{3,3}$ is the target value of shared sovereignty,
- I_l is the target value of the financial instruments of the Il group (financial liabilities),
- C_3 is the target value of equity capital.

The target value of the external sources of equity capital (C_2) is set arbitrarily.

The target value of the amount of financial liabilities "Monetary gold and SDRs" and "Currency and deposits" (I_{l1}) should be calculated via the following formula:

$$I_{l1} = I_{l11} + I_{l12} \tag{5}$$

where:

- I_{l1} is the target value of the amount of financial liabilities "Monetary gold and SDRs" and "Currency and deposits",
- I_{l11} is the target value of the amount of domestic financial liabilities "Monetary gold and SDRs" and "Currency and deposits",
- I_{l12} is the target value of the amount of external financial liabilities "Monetary gold and SDRs" and "Currency and deposits".

At the same time, the target value of the internal financial liabilities "Monetary gold and SDRs" and "Currency and deposits" (I_{l1}) is calculated via the following formula:

$$I_{l1} = S_{3,1} \cdot (I_1 + C_3) \quad (6)$$

where:

- I_{l1} is the target value of the amount of financial liabilities "Monetary gold and SDRs" and "Currency and deposits",
- $S_{3.1}$ is the target value of monetary sovereignty,
- I_l is the target value of the financial instruments of the Il group (financial liabilities),
- C_3 is the target value of equity capital.

The target value of the amount of external financial liabilities "Monetary gold and SDRs" and "Currency and deposits" (I_{l2}) is set arbitrarily.

The target value of the total value of financial instruments of group Il is calculated via the following formula:

$$I_{l2} = I_{l21} + I_{l22} \quad (7)$$

where:

- I_{l2} is the target value of the amount of the remaining financial liabilities,
- I_{l21} is the target value of the amount of domestic remaining financial liabilities,
- I_{l22} is the target value of the amount of external remaining financial liabilities.

Moreover, the target value of the remaining internal financial instruments is determined via the following formula:

$$I_{l21} = S_{3,2} \cdot (I_1 + C_3) \quad (8)$$

where:

- I_{l21} is the target value of the amount of domestic remaining financial liabilities,
- $S_{3,2}$ is the target value of debt sovereignty,
- I_l is the target value of the financial instruments of the Il group (financial liabilities),
- C_3 is the target value of equity capital.

The target value of the amount of the remaining external financial liabilities (I_{l22}) is set arbitrarily.

Within these groups, arbitrarily setting the goals of the development of individual financial instruments is recommended.

To obtain a final approximation, it is necessary to verify the compliance of the initial value of financial instruments' development goals with all the goals of financial development. If this compliance is not fully achieved, adjust the initial value of the goals and verify them for compliance with the goals of financial development. If this compliance is fully achieved, the verified goals for the development of financial instruments are considered final (acceptable), and the iteration process is completed.

The final goals for the development of tools serve as a platform for determining priorities. The selection of priority financial instruments on the basis of the "gap" method is recommended. The method involves determining the magnitude of deviations between the target values of financial instruments and their actual (previous) values. It is advisable to calculate these deviations via the indicator "real value of the financial instrument per capita". The calculated deviations are used to construct a rating of financial instruments.

The rating should be structured so that instruments with the maximum "gap" occupy the higher positions and those with the minimum "gap" occupy the lower positions. The maximum size of the "gap" will characterize the instruments most significant for achieving financial development goals and indicate the need for state regulation of relevant market processes. On this basis, the instruments occupying the top positions in the rating should be considered priority instruments of financial development.

4- Results

Testing of the "5S+" concept was carried out in relation to the UK. The statistical data for testing were taken from the statistical database of the System of National Accounts - 2008, which includes a comprehensive, systematized and flexible set of macroeconomic accounts designed to analyze the world economy at the global and national levels, as well as for the development of public policy and making government decisions. In particular, the data from account No. 720 were used for testing. Financial accounts - nonconsolidated - SNA 2008 for 2007-2022, containing information on all financial instruments used by actual and potential members of OECD countries in accordance with the international classification of these instruments [54]. The limitation of the time period is due to the availability of data in the public domain.

An analysis of the data in Table 2 reveals that the quantitative value of the general financial development goal for the UK at the end of the planning period (2025) will be $1,008.74 thousand per capita. Achieving this goal indicates a transition of the country from the "adequate" level to the "high" level.

The achievement of the general goal is supported by an annual growth rate of real financial assets per capita of 6%, which marks the country's shift from a "negative" to an "adequate" level in this indicator. Concurrently, it is planned to enhance the levels of financial stability from "negative" to "adequate," stake sovereignty from "negative" to "acceptable," and the structure of financial development from "acceptable" to "adequate," along with improvements in steerability indicators.

Table 2. **Strategic goals for financial development in the UK (Authors' calculations based on official statistical data [55])**

Goals	2022 (actual)	2023	2024	2025
Height (D), thousand USD	846.96	897.77	951.64	1008.74
Speed (S_1), *%*	-15.3	6	6	6
Stability (S_2), *%*	17.35	3.64	3.33	3.02
Sovereignty (S_3), *%*	72.81	76.5	80.5	84.5
monetary ($S_{3.1}$)	19.33	20	21	22
debt ($S_{3.2}$)	54.16	55	56	57
stake ($S_{3.3}$)	-0.68	1.5	3.5	5.5
Structure (S_4), *%*	27.20	29	31	33
portfolio investment ($S_{4.1}$)	9.16	10	11	12
direct investment ($S_{4.2}$)	18.04	19	20	21
Steerability (S_5), *%*	84.69	89.77	95.16	100.87
Speed ($S_{5.1}$)	-255	100	100	100
Stability ($S_{5.2}$)	-667.5	18	33.5	49
Sovereignty ($S_{5.3}$)	97.08	102	107.33	112.66
Structure ($S_{5.4}$)	60.44	64.44	68.89	73.33

* Note: the colors indicate the level of development: – high; – adequate; – acceptable; – low; – negative.

The values of UK financial instruments achieved in 2022 were calculated on the basis of statistics from Account No. 720, "Financial Accounts - Non-Consolidated," SNA 2008, for 2007-2022 [45]. The "5S+" concept was used to formulate strategic goals for the development of UK financial instruments for 2023-2025 (Table 3).

An analysis of the data in Table 3 reveals the following:

- In 2022, there is a coincidence of values for most financial instruments that form assets and liabilities.
- Unlike the data for 2022, during 2023-2025, the goals for developing instruments that form assets and those that form liabilities diverge.
- Achieving financial development goals by the end of the planning period (2025) is ensured by the differing dynamics of individual financial instruments.
- The strategic goals for developing financial instruments (Table 3) align fully with the strategic goals of financial development (Table 2).

On the basis of the data in Table 3, the deviations of the target values of UK financial instruments from the achieved (previous) values were calculated, with the results presented in Table 4.

Table 3. Strategic goals for the development of UK financial instruments for 2023-2025, thousand dollars (Authors' calculations based on official statistical data [55])

Financial instruments	Instruments that form assets (Ia)				Instruments that form obligations (Il)			
	2022 (actual)	2023	2024	2025	2022 (actual)	2023	2024	2025
Height	846.96	897.77	951.64	1008.74	846.71	881.43	917.57	955.19
Monetary gold and SDRs	1.35	1.44	1.48	1.48	1.11	0.89	0.58	0.26
Currency and deposits	219.83	224.22	237.68	254.31	219.83	234.11	250.74	272.05
Debt securities	83.39	100.07	114.08	129.82	83.39	88.40	91.22	92.14
Loans	131.77	133.09	139.88	148.27	131.77	137.05	141.84	149.50
Equity and investment fund shares/units	171.07	205.29	236.08	272.20	171.07	172.78	179.87	189.22
Insurance pension and standardized guarantees	62.00	65.10	67.71	69.06	62.00	63.86	65.14	65.27
Financial derivatives and employee stock options	168.58	159.14	144.82	123.09	168.58	175.32	178.83	177.04
Other accounts receivable	8.96	9.43	9.93	10.49	8.96	9.02	9.35	9.71
Speed (S_1), %	-15.3	6	6	6	-15.31	4.1	4.1	4.1
Monetary gold and SDRs	-6.81	6.00	3.00	0.00	-6.62	-20.00	-35.00	-55.00
Currency and deposits	-13.41	2.00	6.00	7.00	-13.41	6.50	7.10	8.50
Debt securities	-32.69	20.00	14.00	13.80	-32.69	6.00	3.20	1.00
Loans	-15.16	1.00	5.10	6.00	-15.16	4.00	3.50	5.40
Equity and investment fund shares/units	-23.19	20.00	15.00	15.30	-23.19	1.00	4.10	5.20
Insurance pension and standardized guarantees	-35.69	5.00	4.00	2.00	-35.69	3.00	2.00	0.20
Financial derivatives and employee stock options	23.82	-5.60	-9.00	-15.00	23.82	4.00	2.00	-1.00
Other accounts receivable	-11.91	5.30	5.30	5.60	-11.91	0.70	3.70	3.80
Stability (S_2)	17.35	3.64	3.33	3.02	16.55	2.63	2.41	2.18
Monetary gold and SDRs	13.08	2.28	1.83	1.37	13.40	12.24	9.46	1.68
Currency and deposits	16.86	2.05	1.35	1.75	17.82	1.38	1.28	1.97
Debt securities	37.25	15.00	8.57	7.94	31.98	6.86	4.20	2.15
Loans	17.52	2.01	1.44	1.68	17.59	0.91	0.25	1.00
Equity and investment fund shares/units	31.41	11.00	5.22	4.74	25.89	1.87	1.05	1.97
Insurance pension and standardized guarantees	33.20	7.79	7.09	7.00	32.39	6.69	6.08	4.66
Financial derivatives and employee stock options	28.42	26.03	6.00	5.00	26.31	7.97	7.46	5.94
Other accounts receivable	14.11	2.50	1.90	1.60	13.02	0.89	1.63	1.25
Sovereignty (S_3)	X	X	X	X	72.81	76.5	80.5	84.5
Monetary ($S_{3.1}$)	X	X	X	X	19.33	20	21	22
Debt ($S_{3.2}$)	X	X	X	X	54.16	55	56	57
Stake ($S_{3.3}$)	X	X	X	X	-0.68	1.5	3.5	5.5
Structure (S_4)	27.20	29	31	33	X	X	X	X
Portfolio investment ($S_{4.1}$)	9.16	10	11	12	X	X	X	X
Direct investment ($S_{4.2}$)	18.04	19	20	21	X	X	X	X
Steerability (S_5)	84.69	89.77	95.16	100.87	84.67	88.14	91.75	95.51
Speed ($S_{5.1}$)	-255	100	100	100	-255.17	68.33	68.33	68.33
Stability ($S_{5.2}$)	-667.5	18	33.5	49	-627.5	68.5	79.5	91
Sovereignty ($S_{5.3}$)	X	X	X	X	97.08	102	107.33	112.66
Structure ($S_{5.4}$)	60.44	64.44	68.89	73.33	X	X	X	X

Table 4. **The deviation of the target values of financial instruments from the achieved (previous) values, thousand dollars (Authors' calculations based on official statistical data [55])**

Financial instruments	Instruments that form assets (Ia)			Instruments that form obligations (Il)		
	2023	2024	2025	2023	2024	2025
Monetary gold and SDRs	0.09	0.04	0	-0.22	-0.31	-0.32
Currency and deposits	4.39	13.46	16.63	14.28	16.63	21.31
Debt securities	16.68	14.01	15.74	5.01	2.82	0.92
Loans	1.32	6.79	8.39	5.28	4.79	7.66
Equity and investment fund shares/units	34.22	30.79	36.12	1.71	7.09	9.35
Insurance pension and standardized guarantees	3.1	2.61	1.35	1.86	1.28	0.13
Financial derivatives and employee stock options	-9.44	-14.32	-21.73	6.74	3.51	-1.79
Other accounts receivable	0.47	0.5	0.56	0.06	0.33	0.36
Total	**50.81**	**53.87**	**57.1**	**34.72**	**36.14**	**37.62**

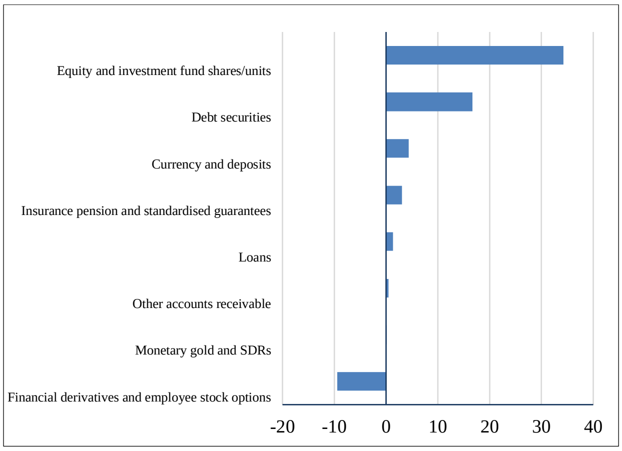
From the analysis of the data in Table 4, it is evident that the gap in the values of financial instruments and their actual (previous) and planned values varies. This variation is due to some key indicators in 2022 being at a "negative" level and having very low values. It logically follows that putting these instruments on a growth trajectory will require significantly greater efforts from public administration than other instruments.

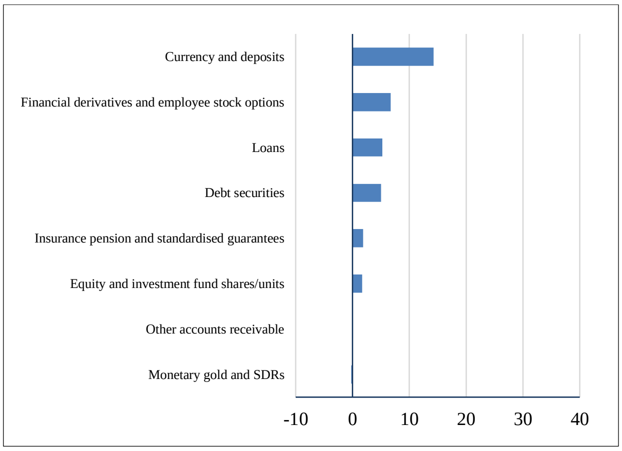
To identify priority financial instruments, ratings were constructed on the basis of the data in Table 4, according to the indicator 'Deviation of Target Values of Financial Instruments from Achieved (Previous) Values.' The results of the rating are presented in Figures 3 to 5.

The analysis of the obtained ratings revealed the following.

First, the priority financial instruments that ensure the achievement of the strategic goals of UK financial development in 2023 are as follows (Figure 3):

- Among the instruments that form assets: equity and investment fund shares/units, debt securities, currency and deposits;
- Among the instruments that form liabilities: currency and deposits, financial derivatives and employee stock options, loans.



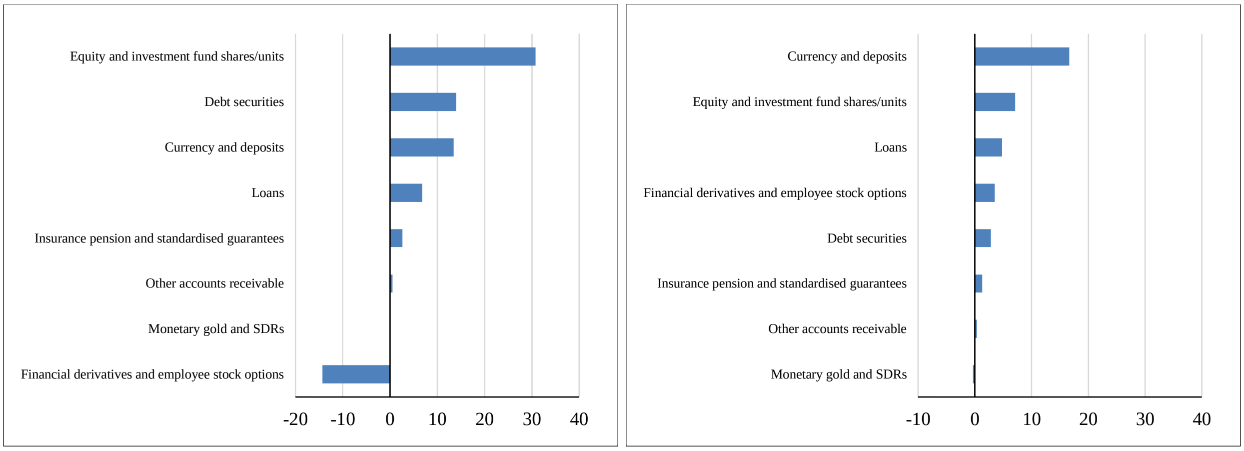


Rating of instruments forming assets **Rating of instruments forming liabilities**

Figure 3. **UK financial instrument rating in 2023, thousand USD**

Second, the priority financial instruments that ensure the achievement of the strategic goals of UK financial development in 2024 are as follows (Figure 4):

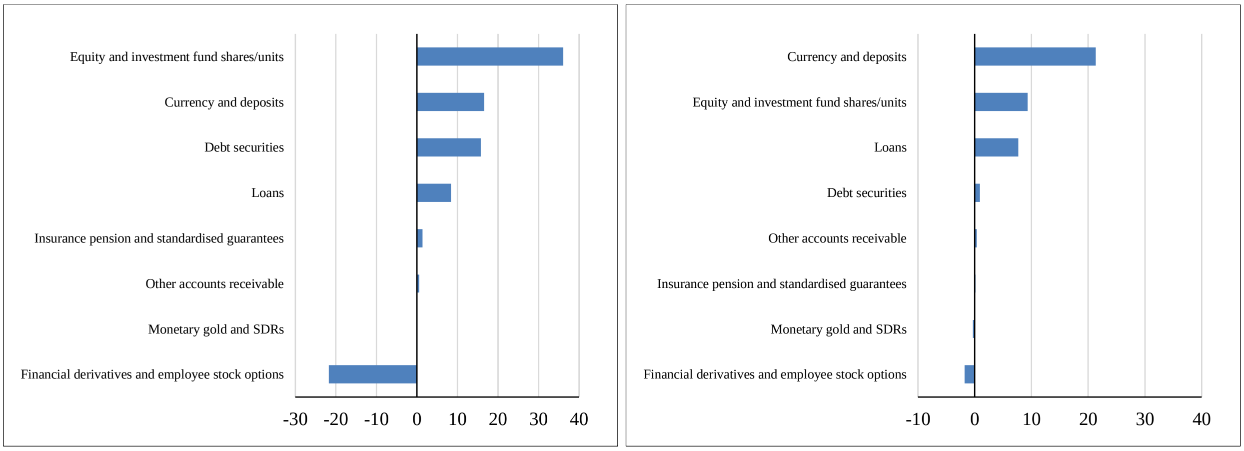
- Among the instruments that form assets: equity and investment fund shares/units, debt securities, currency and deposits;
- Among the instruments that form liabilities: currency and deposits, equity and investment fund shares/units, loans.



Rating of instruments forming assets **Rating of instruments forming liabilities**

Figure 4. UK financial instrument rating in 2024, thousand USD

Third, in 2025, the list of priority financial instruments remains the same as that in 2024 (Figure 5). At the same time, in the rating of instruments that form assets, there is a change in the position of currency and deposits toward its increase and a change in the position of debt securities toward its decrease.



Rating of instruments forming assets **Rating of instruments forming liabilities**

Figure 5. UK financial instrument rating in 2025, thousand USD

Fourth, the achievement of the strategic goals of financial development is ensured by strengthening the role of equity and investment fund shares/units in the formation of assets and liabilities. This allows us to solve at least 2 problems: achieving the target values of the financial development structure in terms of direct investments and achieving the target values of financial sovereignty in terms of shared sovereignty.

Fifth, strengthening the role of equity and investment fund shares/units is accompanied by a slight decrease in the role of debt securities. This financial instrument remains a priority throughout the analyzed period (2023-2025) and ensures the achievement of the goals of the financial development structure in terms of portfolio investments.

Sixth, further financial development of the UK involves increasing the role of currency and deposits and loans in the formation of assets and maintaining their role in the formation of liabilities. This indicates the need for further development of the country's banking sector.

Seventh, achieving financial stability goals requires a significant reduction in the role of financial derivatives and employee stock options in the formation of assets and liabilities.

Summarizing the test results for the "5S+" concept, it should be noted that the resulting list of priority financial instruments not only clarifies the mechanism for achieving strategic financial development goals but also establishes a necessary (mandatory) list of programs containing measures for the development of each instrument. Specifically, in accordance with the established priority tools, the UK government will need to develop at least four program documents: the "Currency and deposits" development program, the "Debt securities" development program, the "Equity and investment fund shares/units" development program and the "Loans" development program. The development of these programs will improve the manageability of financial development.

5- Discussion

As a result of this study, the "5S+" concept was developed, enabling the determination of priority financial instruments crucial for achieving financial development goals in various countries. This concept is a modification of the previously proposed 5S concept [53]. The "5S+" concept contains rules, indicators, and criteria to identify the financial instruments that play the most significant role in achieving financial development goals. This modification was proposed for the first time and has no known analogs in global science or practice. This concept does not deny the early results confirming the existence of ways and means of financial development: financial [36-37] and nonfinancial [32-34]. The "5S+" concept offers specific financial instruments for achieving the strategic goals of the state's financial development.

The study confirmed the practical applicability of the "5S" concept for formulating strategic goals for financial development in countries, even when the initial statistical data are adjusted. This is evidenced by testing the "5S+" concept via updated statistics from Account No. 720. Financial accounts—nonconsolidated—SNA 2008 covers the period from 2007-2022 [55]. As a result of using the updated statistical database, some target values of the UK's key financial development indicators differed slightly from those of previous studies [53]. However, the magnitude of these deviations was insignificant and did not affect the country’s financial development trajectory.

The study also addressed the shortcomings of the "structural difference" method for prioritizing financial development instruments developed by Gospodarchuk & Zeleneva [52]. The methods proposed in this study for determining priority financial instruments, which are based on the deviations of target values from achieved (previous) values, are applicable to any country, regardless of its standing in financial development ratings. The conducted study holds significant practical importance, as it not only identifies priority financial instruments for achieving strategic financial development goals but also helps form a list of mandatory program documents containing development measures for these instruments.

Moreover, the rules, criteria, indicators, and methods developed during the study provide an acceptable, but not necessarily optimal, list of priority financial instruments. Furthermore, the study outlines an approach for developing a list of mandatory program documents but does not offer a complete set of methodological tools for their development. Addressing these tasks presents a promising area for further research, which could enhance methodologies for the strategic management of countries' financial development and, consequently, the quality of policy strategic documents.

6- Conclusion

Currently, many countries are developing financial development strategies. However, the effectiveness of these strategies largely depends on the methodologies used for their formation and implementation. Moreover, an analysis of publications on the methodology of the strategic management of financial development reveals that most current research focuses on selecting financial development indicators and forming strategic goals. The mechanisms for achieving these goals are less frequently analyzed. The existing publications on this topic are fragmentary, thematic, and lack comprehensive recommendations for selecting priority financial instruments. Hence, this study aimed to develop a methodology for the strategic management of financial development, with a specific focus on determining priority financial instruments. To achieve this goal, an expanded version of the 5S concept, which includes financial instruments, rules, and methods for determining priority financial instruments, was proposed. The extended version of the "5S" concept was tested via UK data from 2007-2022. On the basis of the testing results, we established the UK's strategic financial development goals for 2023-2025, including target values for financial instruments that form assets and liabilities. By comparing the target values for financial instruments in 2023-2025 with their previous values, we built a rating of financial instruments forming assets and liabilities. On the basis of these ratings, we identified priority financial instruments that allow us to achieve strategic financial development goals comprehensively.

The study revealed that to elevate the UK from the "adequate" level to the "high" level by the end of the planning period (2025), it is essential to achieve the general strategic goal of (real financial assets per capita) $1,008.74 thousand. Achieving this goal requires an increase in the real value of financial instruments that form assets to $1,008.74 thousand per capita and the real value of financial instruments that form liabilities to $955.19 thousand per capita. The construction of financial instrument ratings revealed that the priority financial instruments that form assets, which are pivotal for achieving the UK's strategic financial development goals from 2023-2025, include equity and investment fund shares/units, debt securities, and currency and deposits for 2023. Among the instruments forming liabilities, the priorities for 2023 are currency and deposits, financial derivatives and employee stock options, and loans, whereas for 2024-2025, they are currency and deposits, equity and investment fund shares/units, and loans. The results of the study confirmed that the expanded version of the 5S concept is highly representative, objective, and widely applicable. It complements existing methodologies for the strategic management of countries' financial development and offers new opportunities for enhancing the quality of strategic policy documents, including monetary and economic public policy.

7- Declarations

7-1- Author Contributions

G.G. and E.Z. contributed to the design and implementation of the research, to the analysis of the results and to the writing of the manuscript. All the authors have read and agreed to the published version of the manuscript.

7-2- Data Availability Statement

Data available in a publicly accessible repository that does not issue DOIs: Publicly available datasets were analyzed in this study. These data can be found here: *https://stats.oecd.org/Index.aspx?DatasetCode=SNA_TABLE720*.

7-3- Funding

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7-4- Institutional Review Board Statement

Not applicable.

7-5- Informed Consent Statement

Not applicable.

7-6- Conflicts of Interest

The authors declare that there is no conflict of interest regarding the publication of this manuscript. In addition, the ethical issues, including plagiarism, informed consent, misconduct, data fabrication and/or falsification, double publication and/or submission, and redundancies have been completely observed by the authors.

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