FINANCIAL INTEGRATION AND THE EUROPEAN UNION

Mariya Yaneva, PhD[1]

e-mail: cezara.rb@gmail.com[1]

Abstract

Financial integration within the European Union (EU) is a complex and multifaceted economic and political process that has far-reaching implications for EU member states, economic actors and the global financial landscape. This research explores the progressive steps taken by the EU to harmonize financial markets, possible regulations and institutions, creating a single financial market known as the European Economic and Monetary Union (EMU).

Key words: economic, European Union (EU), financial integration, financial market

JEL: F4, G1

1. Introduction

Financial integration is a multifaceted phenomenon encompassing a wide spectrum of economic, regulatory, and structural transformations aimed at aligning the financial systems of European Union (EU) member states with the standards of the Community. It plays a pivotal role in the prosperity of the nations united within the EU. This research is dedicated to a comprehensive exploration of financial integration within the European Union (EU), with a specific focus on understanding the challenges and prospects it presents. The objective is to shed light on the intricate balance between financial integration and national sovereignty, with particular attention to the consequences of adopting the euro and the challenges associated with harmonizing monetary policies within a multinational union.

By delving into various dimensions of this complex phenomenon, including banking sector reforms, the adoption of the euro, the development of capital markets, access to structural funds, regulatory convergence, and the sustainability of the financial sector, this study seeks to provide a deeper understanding of the multifaceted dynamics of financial integration in the EU. Moreover, it aims to contribute valuable insights to ongoing discussions and policymaking processes related to financial integration within the EU. Ultimately, this research endeavor strives to

[1] Mariya Yaneva, PhD is a forensic-economic expert, researcher, and lecturer in economic disciplines, email: cezara.rb@gmail.com

illuminate the path forward for EU member states grappling with similar issues, fostering a prosperous and harmonious financial future within the EU.

2. The historical evolution and significance of the European Union

In a historical context, the process of financial integration within the EU has deep roots. It commences with the establishment of the European Coal and Steel Community (ECSC) in 1951 and the European Economic Community (EEC) in 1957. These initial actions foretell and substantiate the aim to create a common market for goods and services, aimed at enhancing the global trade and financial interests of the countries on the Old Continent. (EU, 2023)

The Treaty of Maastricht, concluded in 1992 (in force from 1993), is associated with the formal establishment of the EU and the introduction of the Economic and Monetary Union (EMU). Historically, it is associated with the beginning of the adoption of a single currency (the Euro) and establishes criteria that member states must meet before joining the eurozone. (Britannica, 2023) On the other hand, the eurozone, established in 1999, holds significant importance for the financial integration of its member countries. In fact, it introduces the single currency (the Euro), which is used within the territory of a group of EU member states, replacing their national currencies. This move is aimed solely at achieving a higher level of monetary integration among them. (EuropianCentralBank, 2023)

In reality, as the EU expands and new member countries from Eastern and Southern Europe join, the scope of financial integration broadens. Expanding this scope necessitates the alignment of financial provisions and policies. (EuropianCouncil, 2023) Financial integration among the countries in the EU plays a pivotal role in promoting economic stability and growth. These facts, in and of themselves, facilitate the free flow of capital, reduce transaction costs, and enhance access to financial services, thereby contributing to economic prosperity within the community. (EuropeanParliament, 2023) An important central aspect of European identity and unity is financial integration. In fact, the introduction of the Euro (as a single currency) becomes a symbol of a "shared" European identity and encourages a unique sense of belonging among economic entities in the eurozone. Currently, according to official data, approximately 347 million people in 20 countries are part of the eurozone family and use the single currency (Euro) as a means of trade and payment. Naturally, this number continues to grow as it is expected that more member states will join the eurozone in the future. (EuropeanCommission, 2023)

From a global perspective, the EU is a significant political union and a player in international financial markets, and its policies and provisions influence global finance. Understanding the financial integration of the EU is closely tied to comprehending global economic dynamics. This, in turn, presents challenges to financial integration, with particular interest in managing crises in the eurozone and addressing concerns about sovereignty. These challenges underscore the need for continued research and the development of new innovative and effective policies.

3. Theoretical Framework and Stages in the Financial Integration of the EU

3.1. Theoretical Frameworks for Understanding Financial Integration

Research in the field of financial integration is associated with numerous theoretical debates and challenges. In this scholarly work, among the key theories presented are neoclassical economic theory. This theory is based on the assumption that financial integration leads to greater efficiency, allowing for the free movement of capital. In fact, this movement, by its nature, leads to an optimal allocation of resources across borders. (Kenton, 2023)

In another theory, specifically the theory of economic geography, researchers examine how certain geographical factors, in this case, distance, influence financial integration. This theory posits that the proximity and geographic location of member states play a crucial role in the intensity of financial interactions.

The theory of the gravity model is one of the theories frequently used to explain the intensity of financial interactions between states. Based on this method, parallels are drawn with Newton's law of universal gravitation, hypothetically assuming that larger economies and those closer in geographical position are more likely to trade with each other, and consequently, to achieve financial integration. (Pettinger, 2017) In a similar vein, the institutional theory examines the impact of formal and informal institutions (laws, regulations, cultural norms) on financial integration. In fact, this theory emphasizes the role and significance of institutions in shaping the behavior of financial participants.

From a historical perspective, we should also consider the theory of financial globalization, which focuses on the increasing interconnectedness of financial markets on a global scale. This theory presupposes that technological advancements and financial innovations gradually and inevitably lead to greater financial integration by enabling and facilitating cross-border transactions. (TheWorldBank, 2023) Within the theory of regional integration, the importance of regional blocs such as the (EU is emphasized in terms of promoting financial integration within their boundaries. This theory focuses on examining the influence of regional institutions and policies on financial interactions.

The theory of the Optimal Currency Area (OCA) was popularized by Robert Mundell, a prominent economist who explored the path of monetary flows. Specifically, he examines the conditions under which a group of countries should adopt and transition to using a common currency, as is the case with the Euro in the eurozone. This theory takes into account factors such as labor mobility and economic symmetry. (Mitchell, 2023) The theories of political economy contribute to the examination of the role and significance of political factors in financial integration. These theories delve into government policies, trade agreements, and political stability, as well as their influence on the integration process. In fact, through the aforementioned theoretical studies, valuable data is provided through which researchers and policymakers analyze the complexity of financial integration. Depending on the specific research question, various theories can be applied to gain insight into the economic, geographical, institutional, and political dynamics within the context.

3.2. Key Stages and Development of Financial Integration Policy in the EU

The examination of policies in the financial integration of the European Union (EU) undeniably represents a long and intricate process of development. Among the key stages associated with the development of policy in financial integration within the EU, the following stand out:

- European Economic Community (EEC) and the Single Market (1957): In Rome in 1957, the EEC was established with the goal of creating a single market for goods, services, capital, and labor integration; (Parliament, 2023)
- European Monetary System (EMS): Established in 1979 to stabilize exchange rates and promote economic cooperation among member states;
- Treaty of Maastricht (1992): The signing of the Maastricht Treaty laid the foundations for the Economic and Monetary Union (EMU), leading to the creation of the single currency unit (the Euro) and simultaneously defining the criteria for membership in the eurozone;
- Introduction of the Euro (1999): The single currency within the community was introduced as an electronic currency in 1999 and replaced the national currencies of the countries that became members of the eurozone in 2002;
- Financial Services Action Plan (1999): EU adopted the Financial Services Action Plan to establish a single market for financial services, gradually leading to the adoption of relevant directives and regulations; (Eur-Lex, 2006)
- Lisbon Strategy (2000): The stages in the development of financial policy are linked to the Lisbon Strategy. Its goal is to create conditions for the EU to become "the most competitive and dynamic knowledge-based economy in the world" by 2010. This certainly influences reforms in the dynamic financial market; (EuropeanParliament, Briefing note for the meeting of the EMPL Committee 5 October 2009 regarding the, 2014)
- Financial Crisis and Banking Union (2012): The ongoing financial crisis led leaders of the EU to focus on creating the Banking Union, which includes the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM); (EuropenaCentralBank, 2023)
- Capital Markets Union (2015): Another stage in policy development is associated with the initiative to create the Capital Markets Union (CMU), aimed at establishing a single capital market to facilitate cross-

border investments and change sources of financing by introducing new opportunities and perspectives; (EuropeanCommission, Capital markets union, 2023)

- Sustainable Finance Action Plan (2018): Building on the community's development, the EU introduced the Sustainable Finance Action Plan to promote sustainable and responsible investments in financial markets; (EuropeanCommission, Sustainable finance, 2023)
- Recovery and Resilience Mechanism (2020): This period is associated with the emerging global pandemic and a rapidly unfolding financial-economic crisis. In response to the COVID-19 pandemic, the European Union introduced the Recovery and Resilience Mechanism. This mechanism represents an initiative for financial integration in support of the economic recovery of EU member states. (EuropeanCommission, The Recovery and Resilience Facility, 2023)

The stages and development of policies discussed thus far represent critical moments and initiatives in the ongoing process of financial integration, applied within the framework of the EU. Simultaneously, they reflect the EU's commitment to building a more integrated and sustainable financial system that operates within the Community and supports the economies of participating member states.

3.3. Impact of financial integration on member states and the EU as a whole

The impact of financial integration on the member states of the EU is closely tied to policies aimed at promoting economic growth and stability. Financial integration, in particular, fosters economic growth by increasing access to capital, thereby stimulating investments and improving risk-sharing mechanisms. Promoting economic stability is also linked to diversifying financial markets. When engaging in cross-border trade and investments, there is a clear goal of creating conditions that facilitate cross-border trade regarding foreign direct investments (FDI). Simultaneously, the member states of the Community are provided with opportunities to leverage increased trade possibilities and access to larger investments. (EuropeanCommission, Economic and Financial Affairs, 2023)

It is of great importance for financial integration to establish and maintain conditions for the coordination of monetary policy, which is achieved through the implementation of a single currency within the eurozone. Member states benefit from the stability of the euro and the centralized monetary policy of the European Central Bank (ECB). In the context of a market economy and of significance to international economies are the introduction of risk management measures and the concept of "contagion". In this regard, financial integration can come closer and experience the effects of "contagion", where financial crises in one member state can spread to other countries that are members of the EU. In this respect, effective risk management and supervision are of utmost importance and crucial for minimizing these potential risks. Understanding this is of exceptional significance.

(ESRB, 2023) It can be responsibly stated that the stability of the banking sector is important for the Community because integration not only provides banks with a larger market but also creates conditions for increased competition. Additionally, it is crucial for the banking sectors of the member states to adapt and implement policies that are more resilient to external influences and the accompanying factors. (Enria, 2021) In such a situation, financial integration is undoubtedly capable of creating challenges for the coordination of fiscal policy, especially within the eurozone. Member states are solely responsible for aligning and balancing their national budgets with the fiscal rules of the EU. The existence of differences in individual regions is entirely natural and is related to individual circumstances, which is one of the factors that can influence financial integration within the Community. In fact, it is logical that wealthier regions benefit more from integration, while less developed regions may lag behind in integration processes.

At the same time, this global economic influence turns the EU into a significant player in the global financial markets, naturally creating conditions for the EU to influence international economic policies and regulations. Integration also has political and social consequences, including "concerns" regarding sovereignty and public perception. These factors can certainly influence the policies and decisions of these member states within the Community. It can be stated with confidence that the multifaceted impact of financial integration on the member states in the EU creates conditions and supports activities in shaping the future of European financial integration and its consequences for the broader European project.

3.4. Comparative Analysis with Other Regional Blocs for Financial Integration

Comparing the EU's efforts for financial integration with other regional blocs and initiatives provides opportunities for a more nuanced understanding of the challenges and successes in achieving economic cooperation and integration at different levels and in different geopolitical contexts. In this regard, among the regional blocs for financial integration, the following can be mentioned:

- European Union and NAFTA/USMCA - The EU is a political and economic union of 27 European states, established through treaties - the Rome Treaties in 1958, the Maastricht Treaty in 1993, and the Lisbon Treaty in 2009. It represents voluntary economic and political integration among national states in Europe. The North American Free Trade Agreement (NAFTA) is the foundation of a trade bloc in North America, established in 1994, with members Canada, the USA, and Mexico. It is the world's largest trade bloc, promoting free trade, cross-border movement of goods and services, competition, and more among member states. On the other hand, the United States-Mexico-Canada Agreement (USMCA), signed in 2018, is a trade deal that replaces NAFTA. In this regard, there are currently many debates and contentious issues, highlighting differences in objectives, levels of integration, and regulatory constraints; (Villarreal, 2021)

- ASEAN Economic Community (AEC) – an association of Southeast Asian countries established in 1967 with the signing of the Bangkok Declaration. ASEAN is an economic, political, and cultural organization of 10 member states and two associate members aiming for financial independence, societal progress, and cultural development. Its direction is towards economic integration and stability in the region. Among the ASEAN countries, there are differences in political and economic dynamics in development, but they also indicate regulatory approaches and stages of integration to overcome these differences; (ASEAN, 2015)
- Mercosur – the Southern Common Market, a trade bloc in South America, was established with the Asunción Agreement in 1991 and the Ouro Preto Protocol in 1994 by Argentina, Brazil, Paraguay, and Uruguay. The efforts of Mercosur represent a new direction towards economic integration, expanding national markets, trade agreements, and monetary policies in South America. In this regard, meetings and negotiations are taking between the EU and Mercosur countries, but there is still no finalized trade agreement between them;
- African Union (AU) – founded in 2002 as the successor to the Organization of African Unity, the AU includes 55 continental African states. The main goals of the union are related to the political and economic integration of the continent and the maintenance of peace and political stability. The African Union's initiatives for financial integration and monetary cooperation reveal differences in regional economic development, infrastructure, and political challenges;
- Customs Union vs. Monetary Union - Research into regional conditions reveals that customs unions are groups of states with a common set of rules, tariffs, and procedures regarding the import, export, and transit of goods. In customs unions, states adopt common trade and competition policies, and goods move freely within the union's territory. As customs unions, the following can be mentioned: Southern African Customs Union (SACU), East African Community (EAC), Economic and Monetary Community of Central Africa (CEMAC), West African Economic and Monetary Union (WAEMU), Eurasian Customs Union (EACU), European Union Customs Union (EUCU), European Union-Turkey Customs Union, Southern Common Market (MERCOSUR), and more Monetary unions share a common currency or use fixed exchange rates between their national currencies. In fact, these unions create conditions for the free movement of capital, cooperation between central banks, economic convergence, coordination of monetary policies, and a series of activities and services that aim to coordinate the economic and fiscal policies of the participating states. Indeed, insights are

offered into the different levels of financial integration in various regions. Examples of monetary unions include the Economic and Monetary Union (EMU), Economic Community of Central African States (ECCAS), United States Monetary Union, German Monetary Union, Swiss Confederation (CH), Eurasian Economic Community (EAEC), Latin Monetary Union (LMU), Scandinavian Monetary Union (SMU), Currency Boards, and others;

- The "Belt and Road Initiative" (BRI) is China's initiative, representing a platform for international cooperation aimed at promoting economic growth and global common development. In fact, it creates a network of interconnectivity for economic, trade, and cultural exchange, facilitates health cooperation, reduces global poverty, stimulates two-way trade and investments, develops mutually beneficial projects through collaboration, and preserves the environment; (BeltandRoadPortal, 2023)
- The Pacific Alliance is a regional economic organization, known as the Asia-Pacific Economic Cooperation (APEC), established in 1989. APEC aims to facilitate free trade, promote economic integration, develop regional cooperation, and liberalize the investment regime.

4. Challenges and Achievements in Achieving Financial Integration

4.1. Challenges in Achieving Financial Integration

Challenges in achieving financial integration can be related to various regulatory measures, where different member states often have diverse regulations, making harmonizing financial provisions within the Community particularly challenging. (EuropeanCentralBank, 2023)

In the EU and its principles, there is a certain concern regarding state sovereignty, where member states, in times of uncertainty and fluctuations in their political understanding, may relinquish control over their own national monetary policies and financial provisions. In fact, actions of this nature only lead to tensions regarding national sovereignty. Possible political and cultural differences can pose challenges in decision-making and policy coordination. At the same time, the EU's efforts regarding public perception and maintaining public trust are at the core of sustainable financial integration, despite the difficulties and concerns of economic agents about a certain negative impact on their national economies.

4.2. Achievements in Achieving Financial Integration

Alongside everything presented thus far, there are numerous achievements in implementing the principles of financial integration within the EU. The creation of the Single Euro Payments Area (SEPA) rationalizes cross-border euro payments, reducing transaction costs and enhancing the efficiency of financial transactions within the eurozone. The implementation of the European Banking Union, including the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM), improves financial stability and supervision in the eurozone. Simultaneously, it supports the processes of maintaining financial integration movements. (EuropeanCentralBank, Banking union, 2023)

Within the community, the Capital Markets Union (CMU) is being established. This is an interesting initiative in itself, creating conditions for organizing a single capital market, increasing access to business financing, and promoting investments throughout the EU. Similarly, the introduction of the Euro as a global reserve currency is a significant achievement, positioning it as one of the world's primary reserve currencies and specifically reflecting its stability and importance in international financial transactions. In fact, financial integration facilitates cross-border banking and financial services, providing consumers and business representatives with access to a wider and more diverse range of products and services. All of this undoubtedly creates conditions for improving risk management. Integration allows for the application of more diversified risk management strategies in a more specific way, effectively assisting in navigating and overcoming potential financial crises and price shocks.

4.3. Sovereignty and Loss of Control over National Monetary Policy

The path of the European Union towards financial integration involves complex interactions between the desire for specific economic cooperation and the preservation of national sovereignty. At the heart of this dynamic lies the relinquishment of control over national monetary policy, particularly among countries in the eurozone, where the euro serves not only as a common currency but also as a shared responsibility. This analysis sheds light on the deepening multifaceted aspects of sovereignty and the complexities surrounding the loss of control over national monetary policy. It also offers a scientific perspective.

Sovereignty, in and of itself, represents a foundational principle in the context of international relations. It refers to the absolute authority a nation-state possesses to self-govern without external interference. In this specific context, critical elements such as currency issuance and management, monetary policy, and control over central banking are encompassed. Historically, these defining features not only characterize but also centralize the identity of a nation and its ability to self-determine freely.

The adoption of the euro and the abandonment of individual national currencies, as well as the relinquishment of monetary control by a significant number of EU member states, not only exemplify but also reveal the numerous compromises made in the name of economic integration. Indeed, countries joining the eurozone essentially renounce control over their national monetary policies, including their ability to determine interest rates, print money, and manage inflation within their own borders. This transition signifies the sharing of the euro as a common currency, overseen by the European Central Bank (ECB). One of the significant achievements of the eurozone is the maintenance of price stability, which involves controlling inflation levels. This, in turn, leads to lower transaction costs and price transparency within the currency union. (EuropeanCentralBank, Two per cent inflation target, 2023) The adoption of a common currency undeniably facilitates cross-border trade and investments by reducing currency exchange risks and transaction costs for enterprises operating within the eurozone. In this manner, it unquestionably stimulates trade exchanges among the member countries of the Community.

Of course, there are numerous challenges to overcome, primarily related to issues of sovereignty and democratic deficits. In this context, it is crucial for scientific discourse to highlight the claims made by certain financiers/politicians, criticizing that decisions regarding the monetary policy of the eurozone, made by unelected officials at the ECB, undermine national sovereignty and democratic representation. It is at this juncture that the fine line needs to be drawn, acknowledging that citizens and elected officials have limited influence over these significant decisions. When considering a universal approach to monetary policy associated with the euro, it is essential to emphasize that such policies must cater to the diverse economic needs and conditions of all member states. Regrettably, this situation often results in suboptimal outcomes for specific countries. It is entirely reasonable to challenge the idea that a single monetary policy can effectively serve all economies within the eurozone.

5. Financial Integration within the European Union

Financial integration within the EU is closely intertwined with economic convergence, which is one of the primary objectives of the EU – consistently promoting economic harmonization among its member states. This process not only monitors but also shapes the conditions under which income disparities, financial well-being, and material wealth are reduced. Concurrently, it tracks the progress and development between economically advanced and less-developed regions within the EU. When examining the criteria for adopting the euro, we adhere to the established definition – the Maastricht criteria. These criteria, in a more specific manner, define the specific thresholds regarding inflation, budget deficits, levels of public debt, exchange rate stability, and long-term interest rates that member states must meet to join the eurozone.

In this context, the role of the European Central Bank (ECB) in the Economic and Monetary Union (EMU) is of great importance. The ECB not only determines the parameters but also formulates and implements the monetary policy for the eurozone. Its independence and emphasis on price stability are crucial in maintaining confidence in the euro as a new and stable currency. Therefore, financial integration encompasses the banking sector, where the EU has established a Single Supervisory Mechanism (SSM) for supervising and regulating specific significant banks in the eurozone. This banking union undoubtedly enhances financial stability and ensures that banks are consistently subject to supervision. In support of financial integration in the European Union is the Capital Markets Union initiative. This initiative, initiated as a complement to the EMU, is aimed at creating deeper and more integrated capital markets within the EU. The Capital Markets Union unequivocally seeks to provide businesses with greater access to financing through capital markets and create conditions for reducing dependence on bank financing.

It should be noted that the methods presented for financial integration among the states in the eurozone and the relationships that are established between them are exceedingly complex and undoubtedly pose numerous challenges to resolve. In this regard, we also consider the decision of the United Kingdom to exit and permanently leave the EU (Brexit). This fact unequivocally entails significant consequences for financial integration. Simultaneously, there is a need to relocate certain financial services from London to one of the EU member states. Questions also arise regarding the future relations between the financial markets of the United Kingdom and the EU. These questions have far-reaching implications for cross-border trade on stock markets and with business partners.

The EU's efforts towards financial integration have a global impact due to the fact that the euro is one of the major reserve currencies worldwide. Its stability and extensive use in international stock trading and finance establish it as a significant player in the global financial landscape. Regardless of the economic and political factors, various initiatives for sustainable financing are taking place within the territory of the European Union. The Community is introducing provisions and initiatives to promote responsible investments and align financial markets with environmental, social, and governance (ESG) goals. In fact, when there is a developing regulatory framework and active financial integration, certain activities are required to establish a comprehensive regulatory boundary. This includes directives and provisions that regulate banking, securities, and insurance markets. Gradual adaptation to these provisions is crucial to ensure the stability of the financial system. However, the impact of the COVID-19 pandemic presents unprecedented challenges to the EU regarding financial integration. Various fiscal and monetary measures are being implemented within the Community to mitigate the negative economic consequences of the pandemic, which gradually leads to discussions about the sustainability of the eurozone.

These additional provisions provide a broader context and depth to the scientific article on financial integration within the European Union. They undoubtedly emphasize the various aspects of the process, its challenges, and its consequences for the EU, its member states, and the global financial landscape.

6. Financial Integration of the Republic of Bulgaria in the European Union

Responsibly, it should be noted that Bulgaria is also a member of the European Union (EU). This event marks a significant development in the country's political, economic, and social landscape. Following its accession on January 1, 2007, Bulgaria became a full-fledged member of the EU, harmonizing its legislation with that of the Community and actively participating in the integration processes. In fact, the focus is placed on achieving economic growth, political stability, and alignment with the standards and values of the EU. Bulgaria's membership in the Community progresses through various stages and includes tangible progress and development.

Bulgaria's path to EU membership and its accession began with the signing of the Accession Treaty in 2005, followed by a transitional period during which the country aligned its national laws and institutions with the requirements of the European Union. As a full member and part of the European community, Bulgaria engages in activities related to economic integration and the implementation of structural funds. Indeed, EU membership creates numerous opportunities for the Republic of Bulgaria to access structural and cohesion funds, which serve as instruments to support infrastructure development, regional growth, and economic convergence. (EuropeanCommission, Cohesion policy, 2023)

Membership in a unified community of developed countries in Europe presents our country with numerous challenges and the need for important and urgent reforms. In this regard, the challenges facing the country are related to corruption, judicial reform, and the rule of law. Implementing reforms to address these issues requires an increase in the effectiveness and independence of institutions. It is important to note that a significant aspect of the current issue is related to the development of the professional qualities, competencies, and ethical behavior of economic entities at the national aspect. (Николов, М., Николова, Г., 2016) Based on the established policy endorsed by the West and political forces within the country, a primary priority for the Republic of Bulgaria is gaining acceptance into the Schengen Area and adopting the euro. (EuropeanCouncil, 2023) In fact, accession to the eurozone involves actions related to abandoning the country's national currency, namely the Bulgarian lev, and transitioning to the euro. (EuropeanCouncil, Common agricultural policy, 2023) The European programs offered by the EU are linked to the stimulation and development of agriculture in rural areas. The EU's Common Agricultural Policy (CAP) plays a vital role in supporting the agricultural sector and the development of rural areas in Bulgaria, addressing challenges related to land ownership and agricultural practices.

In light of the aforementioned, it should be noted that financial integration in Bulgaria also involves activities related to cross-border cooperation and regional projects. As a full member of the European Union, Bulgaria actively participates in cross-border cooperation programs with neighboring countries, promoting economic and cultural ties. The country engages in various regional projects, with a priority on enhancing connectivity and infrastructure. The role and commitment of civil society are of importance in the implementation of integration activities. Civil society organizations in Bulgaria play a significant and critical role in monitoring EU integration processes, supporting activities related to reforms, and ensuring transparency and accountability in governance.

In a comprehensive author analysis, Bulgaria nearly sixteen-year membership in the EU is described as an exceptionally dynamic and evolving process of achievements and challenges. The country continues to work on strengthening its institutions, promoting economic growth, and further aligning with EU standards and values. Despite progress within the European Union, there is still a need for reforms in various areas, including education, healthcare, archaeology, tourism, agriculture, animal husbandry, and more.

When analyzing the situation in Bulgaria as a member of the European Union, it is essential for scientific research to clarify its financial integration, which is an integral part of a broader financial system. The country's policy includes active participation in processes to align its financial markets, regulations, and institutions with EU standards following its accession to the EU in 2007. Financial integration in the country encompasses:

- Integration of the banking sector: Bulgaria's banking sector has undergone significant transformation and integration into the EU's financial system, supervised by the Bulgarian National Bank (BNB) and subject to EU banking regulations and standards;
- Adoption of the single European currency, the euro: As part of its commitment to EU integration, Bulgaria expresses its desire to adopt the euro as its official currency. This step further aligns the country's monetary policy with EU norms, though it is a contentious issue that, in the author's opinion, should be subject to a mandatory referendum;
- Development of capital markets: The development of capital markets in Bulgaria is influenced by EU efforts, including the Capital Markets Union (CMU), aimed at facilitating cross-border investments and deepening the integration of capital markets;
- Access to structural funds provided by the EU: Bulgaria benefits from EU structural and cohesion funds, which play a crucial role in financing infrastructure projects, regional development, and economic convergence;
- Regulatory convergence: Bulgaria harmonizes its financial regulations in accordance with EU directives and regulations. This convergence includes areas such as banking supervision, securities markets, and insurance;
- Financial sector sustainability: Efforts toward financial integration contribute to enhancing the sustainability of Bulgaria's financial sector. Measures are

implemented to ensure stability and protect economic entities/consumers from crises, inflation, and financial capital losses;
- Cross-border banking and investments: Bulgaria's financial integration aims to facilitate cross-border banking and investment activities, enabling businesses and individuals to access a wider range of financial products and services within the EU.

Despite Bulgaria's significant progress in financial integration, challenges still remain for the country, including addressing non-performing loans, improving corporate governance, and increasing market transparency. Of course, a similar situation exists with regard to national accounting standards, specifically related to Annual Financial Report (AFR), where limitations could arise due to violations of rules regarding the preparation and presentation of regulatory documents, as well as violations of the qualitative characteristics attributed to information in AFR. (Николова, 2015). The topic has been developed and empirically studied.[2] Bulgaria's financial integration into the EU is a dynamic process that reflects the country's commitment to adopting and implementing financial standards that apply within the European Union. It also aims to promote economic growth. The development of the financial sector in Bulgaria is guided by EU regulations and initiatives, providing a solid foundation for financial stability and market competitiveness.

7. Conclusion

The balance between financial integration and sovereignty remains a delicate and contentious issue within the European Union, which should continue to be the subject of future research. While adopting the euro brings certain benefits in terms of economic stability and facilitating trade, it also raises significant concerns about democratic deficits and the ability of member states to tailor monetary policies to their specific needs. As the EU continues to evolve and address these challenges, scientific analysis and informed dialogue are crucial for navigating the complex terrain of sovereignty and monetary policy in a multinational union.

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