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THE FINANCIAL MARKET AS THE BASIS OF ECONOMIC CORPORATE DEVELOPMENT

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financial market, corporation, financial funds, financial instruments, financial assets.

The article examines the role and importance of the financial market in the modern economic system. It is determined that the financial market is one of the spheres of market economic relations, the specificity of which is that the object of sale is financial funds. It was found that in the early stages of financial relationship development, financial asset purchase and sale agreements were concluded directly between the owner and the consumer of capital. However, as the world's wealth and scale of production grows, the volume of such agreements has increased substantially, and the conditions for their implementation have become more difficult. It is noted that the financial market consists of two fundamentally different areas - the securities market and the bank loan market. It has been investigated that corporations are one of the subjects of the financial market. They act on it as large issuers, sellers of their securities and large investors who invest their temporarily free funds in financial assets. As an issuer, the corporation acts on the financial market as a debtor-borrower as an investor - a lender-lender. In the financial market, the corporation functions as a net borrower. It is established that the corporation is active in all spheres and segments of the financial market: in the money and stock markets, in the market of bank loans, in the primary and secondary markets, in the stock and over-the-counter markets. Market choice is determined by the operational and strategic goals that corporate financial managers set for themselves. In the money market, the corporation acts as an issuer of short-term securities, in the market of bank loans - a borrower of short-term capital in order to mobilize short-term funds to finance working (working) capital. In the stock market, it issues long-term securities in order to finance long-term development projects. It is noted that the main advantage of a large corporation as a form of business organization is the ease of transferring ownership rights and the relatively quick receipt of additional cash through the issue of new shares. This advantage is realized in the financial (stock) market, which plays an important role in corporate financing of economically developed countries. The conclusions about the role and importance of the corporation's activity in the financial market have been made.

ФІНАНСОВИЙ РИНОК ЯК ОСНОВА ЕКОНОМІЧНОГО РОЗВИТКУ КОРПОРАЦІЙ

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Ключові слова:
фінансовий ринок, корпорація, фінансові фонди, фінансові інструменти, фінансові активи.

У статті досліджено роль та значення фінансового ринку в сучасній економічній системі. Визначено, що фінансовий ринок є однією зі сфер ринкових економічних відносин, специфіка якого полягає в тому, що предметом купівлі-продажу є фінансові фонди. З'ясовано, що на ранніх етапах розвитку фінансових взаємовідносин угоди купівлі-продажу фінансових ресурсів укладалися безпосередньо між власником і споживачем капіталу. Досліджено, що, коли в одних агентів економічних відносин вони тимчасово вивільнюються, то в інших виникає потреба в їх залученні для фінансування поточних або капітальних витрат. Зазначено, що найповніше сутність та роль фінансового ринку розкрито в його функціях: мобілізація, акумулювання заощаджень суб'єктів ринку і трансформація їх в інвестиційний капітал за допомогою різноманітних фінансових інструментів і спрямування їх у реальний сектор економіки; забезпечення руху фінансових потоків в економіці, взаємодія продавців та покупців і встановлення цін на фінансові ресурси, що зрівноважують попит і пропозицію; перерозподіл на взаємовигідних умовах грошових коштів фірм, домашніх господарств, держави для їх ефективнішого використання; вплив на грошовий обіг, прискорення обороту капіталу, сприяння активізації економічних процесів; страхування фінансових ризиків та формування умов для їх мінімізації за допомогою різних інструментів ринку; кредитування уряду, муніципальних органів влади шляхом розміщення цінних паперів; розподіл державних кредитних ресурсів. Досліджено, що корпорації є одним із суб'єктів фінансового ринку. Вони виступають на ньому як великі емітенти, тобто продавці своїх цінних паперів і великі інвестори, які вкладають свої тимчасово вільні кошти у фінансові активи. Як емітент корпорація на фінансовому ринку відіграє роль позичальника-дебітора, як інвестор, – позичкодавця-кредитора. На фінансовому ринку корпорація функціонує як нетто-позичальник. Зроблено висновки щодо ролі та значення діяльності корпорації на фінансовому ринку.

Statement of the problem

The role of financial flows in the economy is a prerequisite for ensuring a continuous reproduction process. Participants in economic relations solve the problems of financial support for their activities by buying and selling financial resources. The degree of financial market development is characterized by the number of financial intermediaries and the variety of financial services they provide. There are a large number of financial intermediaries operating in the developed market that provide various types of financial services for a small fee. The financial market is the field of activity of financial intermediaries providing and consuming certain financial services. It is a special form of organizing the movement of financial resources in the economic system, which by its purpose provides legal and natural persons with the proper conditions for attracting the necessary funds and selling temporarily free funds.

It is only possible to give a definitive assessment of the value of the financial market activity in the modern economic system and to ensure its effective realization if the evolution of its development is studied in relation to the historical and economic processes of the development of market relations in Europe and the USA.

Already in the early stages of industrial capitalism, financial instruments of the financial market were able to emerge, and then, for a long time, played a minor role in financial monetary calculations. And only in the twentieth century. they have become the main instrument of financial capital in the modern world.

Analysis of recent studies and publications

The questions of the financial market and the regularities of its functioning were addressed by such scientific figures as: D. Watson [6], K. Marks, A. Marshall, J. Keyns, F. Hayek, M. Fridmen and others. The provisions formulated by them in the course of development of economic theory were refined and deepened by domestic scientists – V. Bazilevich, V. Sheludko, P. Belenkiy [1], Yu. Kovalenko [2], I. Shkolnik [5], V. Fedosov, S. Yuriy [4], V. Plastun, O. Plastun [3] and others. Among the foreign scientists who have researched this topic, we should name D. Blakwell, Z. Bodi, R. Habbard, E. Dolan, K. Campbell, D. Kidwell, R. Kolb.

Objectives of the article

The purpose of this article is to explore the evolutionary path of financial market development and to highlight its importance in the development of modern corporations as one of the subjects of the financial market.

The main material of the research

During the years of becoming a market economy, a considerable amount of scientific research has been carried out in the economic literature on the interpretation of fundamental financial categories, taking into account those achievements achieved by Western scientists. This applies to categories such as financial system, financial management, financial market, etc. And at the present stage of the development of financial theory have developed sufficiently well-established concepts of the financial market, although sometimes contradictory, which reflects the complexity of this category and its multidimensionality [1].

The theory of the financial market reflects the level of knowledge accumulated in science, the essence of the processes taking place in the financial sphere. This theory is a product of the historical development of knowledge of finance and financial relations.

Financial market theory has a deep root in the history of economic thought. Many prominent economists have made a significant contribution to its formation and development, which have substantiated the importance of the financial market for understanding the patterns of functioning of economic systems.

The financial market is one of the spheres of market economic relations. Its specificity is that the subject of the sale are financial funds. Some agents of economic relations are temporarily discharged, while others need to be involved to finance current or capital expenditures. Therefore, a group of debtors is formed, to which the group of creditors is responsible. Both groups are very mobile, production agents can buy and sell free funds at the same time [2].

That is, in a nutshell, the financial market is an economic space in which relationships are formed regarding the purchase and sale of financial assets.

Funds initially appear in the market in the form of savings – temporarily free funds released from production and consumption. They are accumulated by banking and financial institutions, which convert them into loan capital

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for the purpose of investing them in financial or real assets. Public administration, local authorities are involved in the demand for loan capital; the largest borrowers are financial and non-financial corporations. The supply-demand ratio determines the price of capital as a percentage.

The essence of the financial market and its role in the economic system is represented in its functions. Among them are the following:

1. Mobilization, accumulation of savings of market entities and transformation of them into investment capital through various financial instruments and directing them to the real sectors of the economy.

2. Ensuring the flow of financial flows in the economy, the interaction of sellers and buyers of financial resources and setting prices for them, balancing supply and demand.

3. Redistribution on mutually beneficial terms of money of firms, households, the state for the purpose of their more efficient use.

4. Impact on money circulation, acceleration of capital turnover, promotion of economic processes.

5. Insurance of financial risks and formation of conditions for their minimization by means of various market instruments.

6. Lending to government, municipal authorities through placement of securities. Allocation of government credit resources.

Funds in circulation in the financial market differ in content, purpose and use. Accordingly, separate but related areas of the financial market are formed.

The distribution of funds in the financial market can be represented as such scheme (Fig. 1).

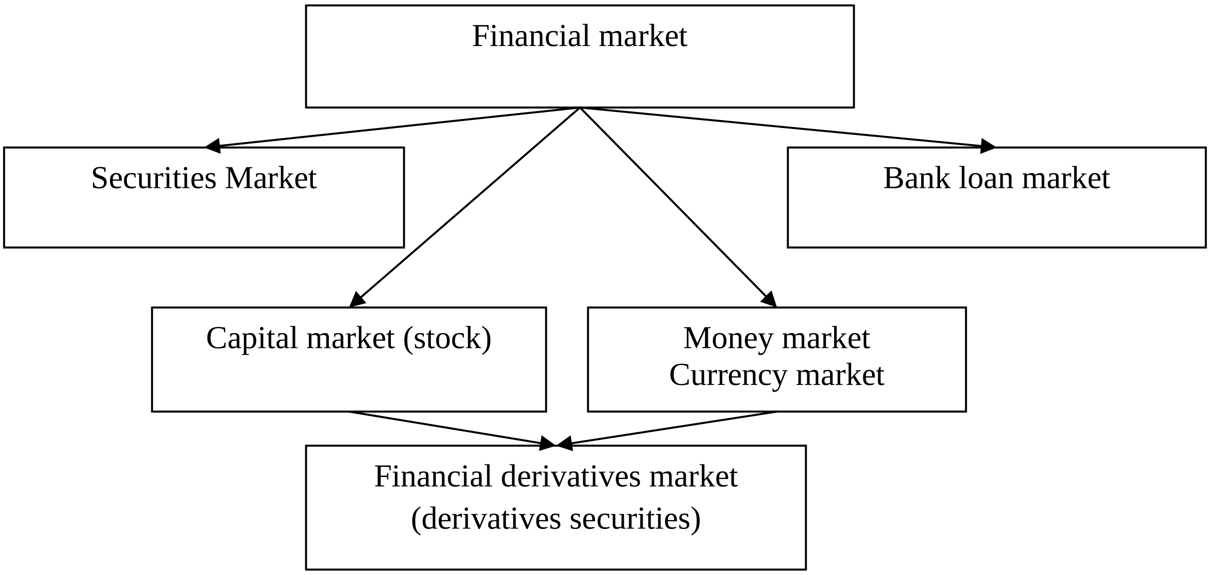

Fig. 1. Spheres of the financial market

So, as we can see, the financial market is divided into two fundamentally different areas:

– securities market;
– bank loan market.

The differences between them are that financial funds that are in circulation in the securities market act in the form of legal documents; securities as a means of communication between agents of market relations.

Financial funds that are in circulation on the market of bank loans, legally take the form of individual contracts – loan agreements between a bank and a legal (or natural) person, which receives a loan on certain conditions [3].

Long-term financial instruments are issued and put into circulation on the stock market for the purpose of further long-term investment of attracted funds for the purposes of the economic development of the corporation. Short-term debt instruments are issued and put into circulation in the money market to finance current working capital needs, to repay short-term debt, to regulate liquidity and other current cash needs. On the currency market, which is a component of the money market, there are mottoes in circulation – foreign currency payments, intended for international payments, diversification of foreign exchange reserves, insurance of currency risks, obtaining speculative profit at the difference of exchange rates.

The market for bank loans also focuses on the portion of loan capital that is provided in the form of loans for various periods: short, medium and long. Short-term loans are usually associated with financing current needs, that is, current assets; medium-term and long-term – with financing of long-term assets, that is, with economic development. In economic terms, they are similar to the issue of long-term corporate securities – both are used to attract long-term funds for the purpose of investing in real assets [5].

When considering the financial services market, it is worth mentioning the instruments operated by financial institutions. In the world practice, the assets and liabilities of financial market institutions are classified into the following broad categories:

- monetary gold and special borrowing rights;
- cash currency and deposits;
- securities;
- loans and loans;
- shares and other forms of participation in capital;
- insurance technical reserves;
- derivative financial instruments;
- other accounts payable / receivable;
- non-financial assets.

Financial instruments are classified as financial assets or other financial instruments. Financial assets are financial claims (such as currency, deposits and securities) that have probative value. Financial instruments (such as financial guarantees and liabilities, such as credit lines, borrowings and letters of credit) that are contingent or contingent, and fall outside the scope of financial assets and are classified as other financial instruments.

For corporations, they are one of the subjects of the financial market. They act on it as large issuers, that is, sellers of their securities. Corporations are also large investors who invest their temporarily free funds in financial assets. As an issuer, the corporation acts on the financial market as a debtor-borrower, as an investor – a lender-lender. The total market value of the securities issued by the corporation outweighs the investments. In the financial market, the corporation functions as a net borrower [4].

The corporation is active in all spheres and segments of the financial market: in the money and stock markets, in the market of bank loans, in the primary and secondary markets, in the stock and over-the-counter markets. Market choice is determined by the operational and strategic goals that corporate financial managers set for themselves. In the money market, the corporation acts as an issuer of short-term securities, in the market of bank loans – a borrower of short-term capital in order to mobilize short-term funds to finance working (working) capital. In the stock market, it issues long-term securities in order to finance long-term development projects.

Issues of shares and bonds occur on the primary market through open sales or through investment banks that are underwriters, that is, guarantors of the initial placement of securities. Previously issued securities of corporations that have been issued in the secondary market. The corporation does not directly participate in this market, but financial managers are constantly receiving information and analyzing it to determine the possibility of new issues, capital structure, dividend policy and redemption of outstanding shares. The secondary securities market is organized by stock exchanges as well as over-the-counter trading systems.

The main advantage of a large corporation as a form of business organization is the ease of transferring ownership rights and the relatively quick receipt of additional cash through the issue of new shares. This advantage is realized in the financial (stock) market, which plays an important role in corporate financing of economically developed countries (USA, UK, Canada, Japan, etc.) [6].

The stock market includes corporate securities issuers (stocks and bonds) and investors who buy these securities on their own or through financial intermediaries (dealers). Issuing corporations seek to raise additional funds for the development of their business (industrial, construction, commercial, etc.). Investor corporations pursue their own goals. Portfolio investors invest in various financial instruments for the purpose of obtaining acceptable current income (in the form of dividends and interest) or income from the increase in the exchange rate of securities.

Any corporation has the right to raise capital in three main ways: through the use of its own income (proceeds from sales), through the issue of shares and, finally, by attracting loans and loans in various forms.

Cash used by the financial market corporation is used for the following purposes:

- the funds received from the initial issue of shares serve as a source of formation of the authorized capital stipulated by the constituent documents;
- funds received from additional issue of shares are directed to increase of the authorized capital;
- the proceeds from the sale of corporate bonds can be directed to financing non-current assets (investments);
- the issue income of the corporation is a source of replenishment of additional capital;
- commercial promissory notes act as a means of payment in relations with partners;
- funds received on certificates of deposit can serve as a source of working capital replenishment.

Conclusions

The objective premise of the functioning of the financial market is the divergence of the financial resources needs of corporations with the availability of sources of coverage of these needs. In practice, free cash may be available from one owner (s), and investment needs may arise in other market entities. The financial market has been designated for the mobilization of temporarily free funds and their rational use. Its functional purpose is to mediate the movement of cash resources from their owners to users.

The functioning of the financial market is inextricably linked to the presence in the economy of real owners who have complete economic autonomy and responsibility for the final financial result. Only such independent owners are able to enter into financial market transactions and demand for equity instruments in exchange for money.

It can be argued that the funds received from financial market corporations help to increase their financial stability and solvency, as well as create additional financial potential for economic growth. Restoration of public confidence in various types of financial instruments, including corporate securities, is important for strengthening the resource base of institutional financial market participants.

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