The impact of the global loan capital market on doing business

Козубовская П. А., студ. III к. БГУ,
науч. рук. ст. преп. Гицкая О. П.

Freedom of trade in goods and services, exchange rates and stock exchanges accompany the modern world economy at every step. Consequently, it is worth taking into account the continuous circulation of capital of different countries. According to classical economic theory: the level of investment in the economy is equal to the level of savings. The global loan capital market involves a system of relationships for the accumulation and allocation of loan capital between countries and their national markets, regardless of their level of social and economic development, while ensuring their interaction.

The trends of the last two decades are characterised by some changes in the loan capital market. They have affected restrictions, competition and the activities of the subjects in principle. Loan capital markets have been liberalised, activities have been deregulated and previously prohibited operations and activities, such as those of commercial banks, have become possible. Moreover, the impact of globalisation cannot be overlooked and has also left its mark. The scale of operations, the increasing pace of internationalisation, the loan capital market embracing developing countries, the increasing number of global financial centres, the removal of various restrictions on foreign economic transactions, technological advances, the increasing speed of transactions are all hallmarks of the impact of globalisation on the loan capital market. The undoubted advantage of these trends of globalisation and market integration is the opportunity to find the most favourable conditions for investors, to reduce possible risks and to reduce the cost of financing investments. However, these trends are not free of disadvantages, such as increasing market instability and volatility, the negative influence of financial markets on each other and, of course, the growing dependence of the state and position of the market on changes in the external economic situation.

The main current trends in this area are:

- Digitalisation has affected banking transactions and services and has also affected the automation of loan issuance.
- Increase in the accumulated external public debt. Intergovernmental loans are in this case an integral part of this trend.
- Sanctions. The active application of sanctions in an environment of uncertainty and tension in global politics imposes restrictions on businesses, hence affecting their operations. Businesses are victims of sanctions because they are integrated into the international financial system.

Based on these trends, and taking into account recent events – the COVID-19 pandemic; first the collapse and then the sharp rise in oil and gas prices; the largest percentage drop in a single day since Black Monday in 1987 (9%) – we can predict the arrival of one of the greatest crises in recent memory. This "not rosy" outlook will lead – or rather has already led – to large state budget deficits, the demand for debt is increasing, and especially so because of the geopolitical tensions around the events in Ukraine. The crisis is already affecting the whole world and the opportunities for most countries to act as creditors are gradually becoming fewer and borrowing from some international financial institutions, in particular the International Monetary Fund, is increasing markedly.

It is worth mentioning that commercial banks, as active participants in various markets, ensure the development of economic relations between countries and regions, and support national and foreign economic entities. The activity of commercial banks in money and capital markets is characterized by providing short-term and long-term loans to governments of countries, real sector of economy, to individuals, that is why this point is extremely important for doing business. Also commercial banks conduct operations with securities of various types (shares, government bonds), and are active participants of the currency market.

In conclusion, there is an obvious need for economic and political relations between countries around the world, as well as for the development of business in general, so that capital can flow freely. This is why international economic relations come to the fore in such a rapidly developing market as the loan capital market.

Литература

1. Международный финансовый рынок : учеб. и практ. для бакалавриата и магистратуры / под общ. ред. М. А. Эскиндарова, Е. А. Звоновой. – М. : Издательство Юрайт, 2018. – 453 с.

2. Международный финансовый рынок : учеб. 2-е изд. перераб. и доп. / под ред. д-ра экон. наук, проф. В. А. Слепова. – М. : Магистра : Инфра-М, 2017. – 368 с.

3. The Business Research Company // Lending global market report 2020.

4. The World Bank. Market capitalization of listed domestic companies (current US$).

5. TheBalance. Different types of banks [Electronic resource]. – Mode of access: https://www.thebalance.com/types-of-banks-315214. – Date of access: 29.02.2022.