

# **Influence of the Financial Market in the Conditions of Economic Globalization**

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**Abstract.** The purpose of this article is to consider the prerequisites for the influence of the financial market in a globalized economy.

In a study, the authors use the method of system and statistical analysis, which allowed to reveal the current state of the Russian financial market.

It was clarified that the formation of the Russian financial market is due to the instability of the national currency and the growth of the inflation rate. In the accelerated globalization of world financial markets arise problems related to the underdevelopment of the securities market and its liquidity.

In conclusion, it is determined that a distinctive feature of the stock market is a high concentration of capital in a small number of the most liquid companies (blue-chip). Sufficient liquidity has only shares of large companies with state participation. In the stock market, as well as the entire financial market, there are the same problems: the absence of mass demand from households.

## **1. The formation of the Russian financial market**

Various aspects of globalization have been seriously discussed by scientists and economists since the 1960s – 1970s. The first of the formation of the global market began to speak in the United States. The term “globalization” was proposed by T. Levitt in 1983. By this word, he meant the phenomenon of merging the markets of individual products produced by transnational corporations [5].

The cause of globalization is universal and international cooperation in the sphere of production, in the development and implementation of scientific and technical advances, etc. This opens up new opportunities for better utilization of national economic factors, production, cross-border production and markets expand. On the other hand, this process creates new dangers and threats, increases their scope and speed of spread, the inevitability of involving a large number of countries and regions in crisis situations.

The global financial system includes several models of financial markets. Thus, North America has a developed stock market and continentality, primarily focused on bank financing. The world's leading stock markets are located in New York, Tokyo, London, Frankfurt, Zurich, Toronto, Manila, Milan, etc. In the US, banks are forbidden to perform investment functions, to buy and sell securities. European countries are characterized by a model with a developed banking sector and money market, so the banks of these countries are financial intermediaries and perform a complex of operations in finan-

cial markets. A separate group consists of the financial systems of the newly created states. These are mainly countries that belong to the new independent state.

To serve the financial markets, an appropriate infrastructure was created that combines exchanges and modern communication systems.

The financial market is a complex system in which financial assets are circulated independently, regardless of real goods' circulation as noted by Guzhavina L., Filippov D. This market operates with differentiated financial instruments, has a rather extensive and diverse financial infrastructure and is served by various financial institutions. Within this economic sphere, loan capital is formed, distributed and redistributed with the functioning of a financial mechanism on it, ensuring the interconnection of trade's subjects and objects [2].

Experts say that the relationship of real production with international financial flows is significantly weakened, while the relationship between financial globalization and financial capital is increasing [6].

All this opens up opportunities for speculation and causes serious financial and economic upheavals, which in the market's globalization acquire global proportions.

A necessary condition for the globalization processes is the development of regions in a new capacity - economic subjects of the world economy, equal (but not identical) in capacity, independent (but not self-sufficient), aware of their interests and interests, having an arsenal of means for their realization.

In industrialized countries, the securities market has developed over many decades in the presence of stable currency systems of the financial market, which created a solid foundation for development. In Russia, the market has been formed in a relatively short period of time and today is a typical large emerging market.

As Zolotov A. notes, today, as a result of globalization, there is a world market of results and factors of production, on which no more than 2-3 thousand TNCs of the highest echelon play the leading role [3].

The main essential features of globalization are:

- the leading and determining role in the world economy of transnational companies (TNC), transnational banks (TNB);
- priority of foreign economic relations in comparison with domestic economic relations [7];
- development of a global information technology, information and telecommunication network;
- significant influence in modern conditions of scientific and technical progress on the internationalization of production and capital, which leads to their shift to developing countries;
- difference of state standards (technological, environmental, statistical, accounting, financial, etc.);
- expansion of the scale and intensification of international inter-firm cooperation in various forms;
- expansion to the global scale of areas, forms and mechanisms of capital internationalization, increasing the scale and intensity of its migration between states, especially industrialized countries, increasing the concentration and centralization of capital through mergers and acquisitions of companies and banks;
- sharp increase in the influence of the financial and banking sphere, which has reached a very high level of globalization, on material production.

In connection with this situation to occur the progressive development of the securities market is required to seek solutions to the problems of development of the market at the present stage.

Analysis of research results of leading scientists and materials presented in the industry literature indicates a deep theoretical development of the problems of the financial market's formation and development. Special attention should be paid to the scientific developments of such Russian and foreign scientists as I. Blank, A. Slepova, F. Fabozzi, Modigliani F., Peter, J. Buckley, R. Courbis, F. Penot, J. Tobin [1, 11, 13, 15, 16, 17].

The purpose of the main article is to consider the formation of the Russian financial market.

## 2. The economic essence of the Russian financial market's formation

The formation of the Russian financial market is due to the instability of the national currency and rising inflation. In the accelerated globalization of world financial markets arise problems related to the underdevelopment of the securities market and its liquidity. Thus, the most significant drop in GDP occurred during the global financial crisis of 2008–2009, when the Russian economy shrank by almost 8% in real terms. In subsequent years, there was a rapid recovery of all socio-economic indicators of the country, and high energy prices played a significant role. In addition, the rise in oil prices also partially compensates for the negative impact of the global financial crisis on the Russian economy.

Significant changes were made to the monetary policy of the Bank of Russia. First of all, in the autumn of 2013, the regulator for the first time determined the size of the key rate, which became the main instrument of Russia's monetary policy. Later, in 2014, the Bank of Russia made drastic changes in monetary policy, moving to a floating ruble exchange rate. However, under the impact of external shocks, there was a significant devaluation of the ruble exchange rate, which as a result forced the Bank of Russia management to immediately raise the key rate from 5.5% to 17% at the end of 2014, and also start spending funds, international reserves in order to stabilize the national currency.

In 2015, the Central Bank, together with the Moscow Interbank Currency Exchange, expanded the list of deposit and credit operations of the Central Bank. This fact contributes to the fact that commercial banks and the Bank of Russia can issue securities and place them on the Moscow Interbank Currency Exchange.

For example, some sources report that the share of shares offered for sale in Russia is between 15 and 20 percent of their issue. This value is lower than similar in other countries. There is also a question related to the fact that out of 50,000 open joint-stock companies, no more than 300 issuers trade on the market, which speaks not only about the underdevelopment of the securities market trading process, but also about the difficulties of entering it.

Consider the above problems in section 1.3.

## 3. Analysis of the Russian financial market's formation

Taking the above into consideration, we will analyze the Russian financial market's formation at the current stage.

Today, the financial derivatives market in Russia is clearly underdeveloped, although since the early 2000s this segment has been growing enough rapidly. However, this market plays an important role in risk management, which are inevitable for securities. Market, where there is this segment, functions more effectively than market, where there is not.

It cannot fail to be noted that on the securities market in Russia price changes in goods have a significant impact: oil, gas, metals. The Moscow Exchange form the basis of stock index calculation, which will be operate science 22 March 2019, and also it has established coefficients free-float for securities of a number of issuers. The trading platform reports about it.

The common shares of PJSC "Mechel" are deleted from the base of calculation of MosBirgy index and RTS index.

Depository receipts of group En+ will be included in a waiting list of including in MosBirgy index and RTS index. The common shares of PJCS "TMK" enter the waiting list of exception from MosBirgy index and RTS index.

The base for calculation of the blue-chips index will remain unchanged.

Common shares of PJSC "Buryatzoloto" and preferred shares of PJSC "Khimprom" will enter to base for index calculation of extensive market, and common shares of PJSC "Russian aquaculture" will leave index.

The common shares of PJSC "Russian aquaculture" will be excluded from basket of consumer sector index.

The base for index calculation of shares of medium and small capitalization includes common shares of PJSC "RusHydro", coming out of common shares index of PJSC "NCSP" and PJSC "IDGC of Centre".

**Table 1.** Summary table of shares` changes of number, taken into account in MosBirgy indexes and waiting lists, and also free-float coefficients.

Code	Name	Current number of shares	New number of shares	Current free-float	New free-float
AFLT	PJSC "Aeroflot", cs	1 110 616 299		45%	41%
CHEP	PJSC "Chelyabinsk Pipe-Rolling Plant", cs	472 382 880		7%	2%
NVTK	PJSC "NOVATEK", cs	3 036 306 000		24%	21%
OBUV	PJSC "OR", cs	113 056 000		39%	32%
SFIN	PJSC "SAFMAR Financial investments", cs	111 637 791		43%	40%
RUSP	PJSC "Ruspolyment", cs	5 012 985 740			9%
VSYDP	PJSC "Vyborg Shipyard", ps	51 839			64%
VZRZ	Bank "Vozrozhdenie" (PJSC), cs	23 748 694		7%	4%
VZRZP	Bank "Vozrozhdenie" (PJSC), ps	1 294 505			90%
POLY	Polymetal International plc, shares of a foreign issuer	455 881 730	469 368 309	38%	
TGKD	PJSC "Quadra", cs	1 912 505 759	1 912 495 577 759	14%	

\*Developed by the author [19]

Obviously that liquidity of Russia's Stock Market is quite low, and serious hesitations quotations of shares listed issuers, arising owing to changes of commodity demand of economies of many countries, cause increased stock market volatility[4].

In 2018, citizens of Russia invested more than 80 billion rubles in the accounts of the IIA (brokerage and control). As a result, the total amount IIA exceed 120 billion rubles, increased 2,7 times in comparison with 2017 (by the end of 2015, the volume of assets on the IIA was about 7 billion rubles, at the end of 2016 - about 20 billion rubles, by the end of 2017 - 45 billion).

The amount of money, received from citizens on broker accounts (without IIA) in 2018, exceeded 1 trillion rubles (700 billion rubles were received on brokerage accounts in 2017, 310 billion rubles - in 2016). The total amount of citizens` investments in brokerage accounts (without IIA) amounted to

1.5 trillion rubles in 2018 (this amounted to 850 billion rubles at the end of 2017, and 520 billion rubles - at the end of 2016).

The number of accounts opened online using remote identification systems has increased during 2018 almost twice from 40 thousand accounts to 75 thousand, in this case, preferred identification method has changed. If during 2016-2017, the share of accounts, opened using a confirmed entry ESIA, constitutes 60% from common amount of opening online accounts, then during 2018 the share of accounts, opened using identification through data sets, rose to 66%. The total amount of involvement to online accounts using remote identification systems amounted to about 15 billion rubles, increased almost twice compared with 2017 [18].

#### 4. Conclusion

Review established market model plays particular importance in consideration financial system. A high proportion of finance in Russia belongs to commercial banks and CBR (Table 2).

**Table 2.** The structure of assets of financial institutions for 2018.

Institution	Financial assets trillion rubles	%
CBR	32,9	28,1
Commercial banks	32,9	66,4
Insurance companies	77,7	1,1
Non-state pension funds	1,3	1,9
Mutual funds	2,1	1,8
Professional participants of RF market	0,8	0,7
Total	117,0	100,0

The banking sector can be described as sector with high concentration of capital, high degree of state influence and lack of competition. Over the past 12 years, the number of banking credit institutions has decreased significantly. As a result of the policy of the CBR, hundreds of licenses were revoked for the last 5 years [8].

Distinctive feature of Russian market is the intense activity of deposit operations from the households. High deposit interest rates and population's need to invest in low-risk assets influenced it. Culture of mass investment is absent in Russia in general and also in other developed countries. There can be many reasons for this phenomenon: high inflation to a low marginal level of savings in households [9].

In the current context, joint-stock company is one of the most important institutions of a market economy. This institution allows to finance the organization's activities through the equity issuance - emission.

Distinctive feature of the stock market is a high concentration of capital in a small number of the most liquid companies (blue-chip). Only shares of large companies with state participation have sufficient liquidity. There are the same problems in the stock market and in the entire financial market: the lack of mass demand from households. It must be noted, that the Russian market is heavily dependent on the international market. We consider, that reason for this are prevailing speculative behavior of market participants, dependence of ruble on the cost of commodities (oil, gas), and also low diversification of financial assets. The conservation of excess currency in the domestic market is one of the main development trend of the native financial market in 2018. So, the oil prices will remain high enough while there is saving of dependence this market from the global price.

The development of the financial market in Russia has perspective directions, related to development of existing and the appearance of new services, which can be demanded by legal entities and individuals.

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