

IMPROVING THE MECHANISM FOR THE PARTICIPATION OF BANKS IN THE RESTRUCTURING OF JOINT-STOCK ENTERPRISES IN THE CIS

VALENTIN KOTOV

Banking and finance academy, Tashkent, Uzbekistan

ABSTRACT

This article focuses on the participation of commercial banks in the CIS in providing the investment processes of restructuring of joint-stock companies. The features of the investment bank providing various types of modernization of companies, as well as the risks associated with the implementation of their functions as consultants, institutional investors, investment brokers and asset managers, trust companies. The content of the mechanism of action of banks to scale up and improve the quality of the investment programs to ensure the restructuring of joint-stock companies.

UDC CODE & KEYWORDS

■ UDC: 336.7. 575.1 ■ Modernization ■ Restructuring ■ Innovation
 ■ Investment cooperation ■ Investment Banking ■ Investment climate
 ■ Equity financing ■ Debt financing ■ Securities

INTRODUCTION

The last global financial crisis has forced all states to pay special attention to the need for timely and qualitative restructuring of the real sector to ensure competitiveness and sustainability of national economies. However, the solution to this pressing problem in the CIS countries is constrained by the limited scale of funding for upgrading key enterprises in the basic industries, as available to them for this purpose its own sources (net profit of previous years, depreciation and reserve funds), as well as targeted budget, allocations to post-crisis period are extremely limited. Of particular importance in this context takes on increased participation of banking institutions in the modernization of the real sector of these economies, as other financial institutions, by virtue of its institutional underdevelopment and low levels of capitalization are not yet ready to participate in this complex, capital intensive and risky business.

Restructuring and the prerequisites participation in the banks

Given the large variety of methods of updating activities of enterprises, commercial banks must take into account the specifics differ in form, but closely related in content areas of the restructuring of key joint-stock companies, including:

- Restructuring of enterprises by changing the scale of their production and business activities,
- restructuring of enterprises through restructuring of the property complex,
- restructuring the internal organizational structure of management of enterprises,
- restructuring of enterprises by changing reproductive structure of enterprises,
- restructuring methods of corporate management of joint stock companies.

Taking into account the high level of capitalization of the banking business, and historically reliable image of financial intermediaries, banking institutions in the CIS countries after the crisis appeared to be more prepared to institutional investors than investment companies operating here, mutual funds, insurance companies and other institutions of

collective investment. Currently, it is the banks are able to most effectively can accompany joint-stock companies through all stages of the preparation and implementation of restructuring programs. Their status as a high level of capitalization and the availability of qualified personnel allows them to provide services to financial advisers, investment brokers, institutional investors and asset managers, trust companies upgraded. Taking into account the greater capital intensity, complexity and high level of risk, commercial banks have from the very beginning of participation in these processes, restructuring of enterprises represent the entire volume, structure and nature of changes in the activities of joint stock companies, consider the specific features of stock ownership, a good understanding of the structure of their assets and liabilities taken (Abdullaev (2009)).

In the process of servicing the needs of the modernization of joint stock companies to the banks of the CIS countries is particularly important financial aspect of it, including the restructuring of capital structure, restructuring of existing debt, restructure portfolios at their disposal of assets, financing the updating of production assets and product range, as well as ongoing updates dividend policy. The restructuring of the share capital structure of joint stock companies should be aimed at optimizing the sources of its formation, a permanent record of the ratio of common shares owned by individual co-owners, as well as improvement of corporate relations between the various participants the corporate community. Restructuring of the existing joint-stock companies should be receivable in payment, cancellation, postponement, partial redemption, conversion, consolidation, debt obligations, as well as in expanding the securitization of bad debts by issuing them under the debt securities. Restructuring of the company's assets must assume the banks' participation in the sale of inefficient assets, the transfer of part of their mortgage, changing the balance between real and financial assets, the elimination of non-core assets, etc. Restructuring of the company's assets must assume the bank's participation in the sale of its inefficient assets, lease, transfer of assets as collateral, the changing balance between the real and financial assets, the elimination of non-core assets (Kotov (2010)).

The principles and mechanism for participation in an investment bank providing enterprise restructuring

Despite the wide range of forms, methods and areas of involvement of commercial banks in the process of restructuring the joint stock companies, all of this activity in the CIS countries should be based on a systems approach and a purely market-driven. The foregoing, in the first place, refers to the search of the most accessible financial instruments and qualitative justification for business - plans of investment projects related to the modernization of the various parties of the joint-stock companies.

In the initial phase of the program restructuring the role of commercial banks should be to offer a wide range of financial resources, as well as a favorable and mutually advantageous terms of supply. The most acceptable to the joint-stock companies from CIS countries sources of financing include:

- Own and attracted resources of commercial banks in the form of long-term loans, project finance capabilities and syndicated lending,
- centralized budget funds received from privatization of public property, intended for post-privatization support key enterprises in the basic sectors of national economies,
- grant funds of international financial institutions, funds Interstate technical assistance, and loans of major foreign banks,
- investment funds, insurance companies and other collective investment institutions,
- enterprise funds obtained through the use of equity and debt financing tools through issuing shares or bonds,
- the possibility of such market-based financing such as leasing, tolling, franchising, forfeiting, and others.

Another important principle of participation of banks in the restructuring process should be in terms of effective monitoring and quality assurance of the development of financial resources for innovative renewal business. Rational allocation of resources to achieve strategic objectives the modernization of enterprises should be supported by precise control of the effectiveness of their development and to make the compensation made by banks or other investors costs. Created in the structure of the banks or on a project basis specialized investment departments should carry out this complicated, capital-intensive and risky process in a professional manner in strict accordance with the schedules and regulations of corporate governance (Kotov (2010)).

Promising sources of investment to ensure the needs of modernization of key enterprises in CIS countries in recent years have become the tools share (the program IPO, procedure M & A) and debt (bonds, mortgage certificates, services, leasing, factoring, franchising) of funding. Necessary condition for their use appears to enhance the ability of banks to own note issue, which allows not only to strengthen their resource base, but expand the scope of investment programs to ensure modernization of the basic sectors of national economies.

Based on proven CIS forecasting model of socio-economic processes (Imanov (2011)), as a basic model of forecasting the demand for stocks and bonds for commercial banks, the author suggests using the following model:

$$D = \sum_{i=1}^N D_{\text{IND}}^{(i)} + \sum_{k=1}^M D_{\text{LE}}^{(k)} \quad (1)$$

here:

D – total amount of means deposited on commercial banks accounts;

$\sum_{i=1}^N D_{\text{IND}}^{(i)}$ – total volume of deposits of individuals in banks in amount of N;

$\sum_{k=1}^M D_{\text{LE}}^{(k)}$ – total value of deposits of legal entities in banks in amount of M [5].

This approach was used in the preparation of medium-term forecast of the involvement of the population and legal entities of Uzbekistan in the period from 2011 to 2013 for the purchase of bank securities, to finance restructuring programs of their clients. In addition, for the calculation of the potential demand for stocks and bonds issued by commercial banks of Uzbekistan, we used the following formula:

$$D_n = D_{n-1} + D_{n-1} \times 0,20 \quad (2)$$

here:

D_n – forecasted parameters of deposits value of population and legal entities that is calculated in the base of coefficient

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of annual increment of deposits of individuals and legal entities that actually was formed in recent years in whole country (in our case its value is not less than 20%).

For development middle-term forecasts for involvement volume of means of banks clients for purchasing securities issued by commercial banks of republic the following formula is proposed:

$$RS_n = D_n \times P_p \quad (3)$$

here:

RS_n – volume of step-by-step involvement of means of banks clients for purchasing securities during forecasted period;

P_p – expected coefficient of step-by-step involvement of means of individuals and legal entities for purchasing bank securities during middle-term period.

Given the current growth rate of the emission activity of banks in Uzbekistan, as well as current trends in development of monetary and monetary policy, setting annual growth in this indicator between 2011 and 2013 was accepted at a level not less than 20%.

Using this approach allowed the development of three scenarios (pessimistic, optimistic and realistic) calculations predicted the volume of the involvement of banks of Uzbekistan additional funds for the restructuring of large enterprises through issuing stocks, bonds or other securities.

Main idea of the article

Further improvement of the mechanism of participation of banks in attracting foreign resources and domestic investors on the restructuring needs of companies from CIS countries requires a wider range of instruments used equity and debt financing, as well as scaling up their treatment in the economic turnover by improving the transparency of their issuers, the introduction of methods of corporate management and effectiveness of their on dividend policy.

Conclusion

In eliminating the negative impact of the global financial crisis and the increase in the quality of the investment banks from the CIS to ensure the processes of restructuring of key enterprises of key industries is promising line of work that has a positive impact on the provision of high rates of innovation development of these economies. Improvement of this activity is of great socio-economic importance, since it opens the prospect of creating businesses based on the reconstruction of flexible modern production facilities, allowing to produce competitive products for export, import expand and improve the living standards of their populations. In addition, scaling up this activity contributes to the competitiveness of the banking institutions themselves, as expanding their customer base, forming a correct idea of market conditions, increases the liquidity of the banking business and its image among financial market participants.

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