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THE FOREIGN CAPITAL EXPANSION IN THE BANKING SYSTEMS OF DEVELOPING COUNTRIES

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Annotation: *The globalization extent of national banking systems of developing countries, the foreign banks presence influence on the development and stability of their financial systems were identified.*

Keywords: *financial globalization, foreign capital, banking capital, banking system, foreign bank*

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1. INTRODUCTION

The financial sector globalization leads to the national banking systems integration into a single global architecture through their consolidation around the leading international banking groups. The transnational capital expansion at the markets of developing countries is an objective manifestation of financial globalization, which, on the one hand, is necessary to be recognized as the obvious and irreversible, and on the other, as uncertain and dependent on the political, economic and social development of the national states.

Taking into account the current world trends, it can be confidently said that the volume of transactions related to the monetary-credit and the financial sectors, prevail over international trade. The foreign capital liberalization, which became common from the 1990s, opened up the great opportunities for banks with foreign capital to spread their presence in the region with countries that are at the stage of economic establishment and require significant amounts of financial resources. Thus, the foreign banking capital movement has become an integral part of the present phase of financial globalization in the world. Key factors of stimulating the financial integration development are: the irregularity of economic development and distribution of financial resources among countries; the countries' balance of payments imbalance; the lack of one's own resources in most countries for investment projects and socio- economic transformation; the need for resources to compensate the budget deficit and debt performance for internal and external borrowing; mergers and acquisitions of companies and banks; the modern electronic technology introduction to improve operations in the real time.

2. RESULTS OF THE STUDY

The banking capital concentration and finding the directions of its augment and savings from depreciation due to inflation, in our view, are the main factors that drive the globalization, including stimulation the expansion of banks with foreign capital in transition and marginal economies.

Thus, financial globalization is a complicated and controversial process. Firstly, it stimulates economic development, and secondly – increases the risk of international financial transactions, which, in turn, promotes the effects of the local financial crisis on global financial markets.

It should be noted that today the foreign banking capital movement between the economically developed countries had not obtained such a wide scale as if it is moving from developed countries to countries characterized by economic changes in all economic spheres. These tendencies are determined by the ability and willingness of the banks with foreign capital to get additional profit, to reduce the level of expenditures and to expand their presence in other regions that is practically impossible to reach into the already formed and distributed between certain participants of the financial sector of the country, that is part of the top 15 economically developed countries.

Being an important part of financial globalization today, banks with foreign capital become the impetus for the national banking system development and the country economic growth. Banks with foreign capital create more competition for the local banks, having in mind the expansion of new technologies in the field of banking. At the same time, financial globalization in terms of the foreign banking capital movement can be characterized either as the free penetration of foreign banks in the domestic banking system, or as the existence of certain barriers that can be created primarily by governmental agencies and the existence of the informal constraints such as customer preferences in serving only in the local banks, the impossibility of penetration based on the market situation and so on.

An efficient financial system is an essential part of the sustainable growth mechanism and the poverty reduction. A number of economic studies have proved that the foreign capital expansion in the banking systems of developing countries and countries with transition economies contributes to creating more efficient and stable financial systems in these countries, accelerating the state banks privatization and expanding the access to financial services [1,5,6,7].

The developing countries (with the low income) also benefit from these tendencies, despite the much lower level of foreign participation in their economies compared to the most developed countries and countries with transition economies. The banking systems of developing countries, in terms of the size inferior to the corresponding systems of developed countries, if not to identify them as the offshore financial centres. This thesis is proved by comparing the amounts of money of the relevant countries … [2,3,4]. It should be noted that the size of the banking systems is a simple reflection of the scale of their economies. For statistical sample survey 81 developing countries: the money amount of the 61 countries was less than 10 billion U.S. dollars with GDP on average – 5 billion U.S. dollars, in 20 countries with the volume of money over 10 billion USD GDP on average, was 221 billion U.S. dollars, which is 40 times more. [4].

The small size of the developing countries' financial systems cause the capital markets liquidity constraints, the risk diversification opportunities, the access and use of innovative financial technology and products of banking risks management, the high costs of brokering financial transactions.

During the period 1995-2012, the presence of foreign banks and the value of their assets have increased significantly in a number of low-income countries. The key reasons for such processes are, firstly, the established historical ties between the countries, secondly "open economies" in several countries. The foreign capital expansion brings certain benefits to national banking systems: the reduction of costs for the services of financial brokers, the increasing of their efficiency and stability. The analysis of a number of economic studies proves that the foreign banks presence in the low-income countries economy is not itself a sufficient condition to achieve the national banking system efficiency [1,4,6,7,9,10]. The combination of a high level of the foreign banks presence in the domestic banking systems with the policy of open economy regime conservation is necessary for achievement of the most benefits and effects.

Foreign banks also bring more effective risk management technologies, systems of monitoring the financial activities by importing them from the regulatory environment of the parent country that in result strengthens the banking systems of low-income countries.

3. PRACTICAL RESULTS OF THE STUDY

The increase of the competition in the domestic financial sector can lead to the reduction of the customer base of banks which are already operating in these countries, which can lead to financial instability. Therefore, the state's reaction on the levelling of certain tendencies should be the policy of an adequate banking sector control, while many developing countries face more difficulties and problems while creating their own reliable legal and institutional infrastructure of the banking system. Finding the ways of solutions to these problems should be with a greater use of competitive advantages that foreign banks bring in domestic business environment, while focusing on the efforts on creating an effective institutional infrastructure in the key areas. These ways would be more effective from creating a full-scale unit of government regulation and financial sector control.

The benefits of the foreign capital presence in the national banking system should also be considered in the terms of scientific and technological progress, which allows providing financial services on a global scale freely using the system of "electronic finance". In addition, some developing countries have the opportunity to receive some kinds of financial services directly from the foreign sources that allows them to reduce the need of expanding the government sphere of regulation and control.

The shock of the global financial crisis has proved the high risks of financial globalization for national banking systems and the stability of the potential of risk counteraction of the less integrated banking systems. The researches have shown that normatively regulated and less open domestic banking system could function during the global financial crisis relatively well. Therefore, the national banking structure preservation in the terms of international financial instability may provide important competitive advantages, than foreign banking capital the presence. [see fig. 1]

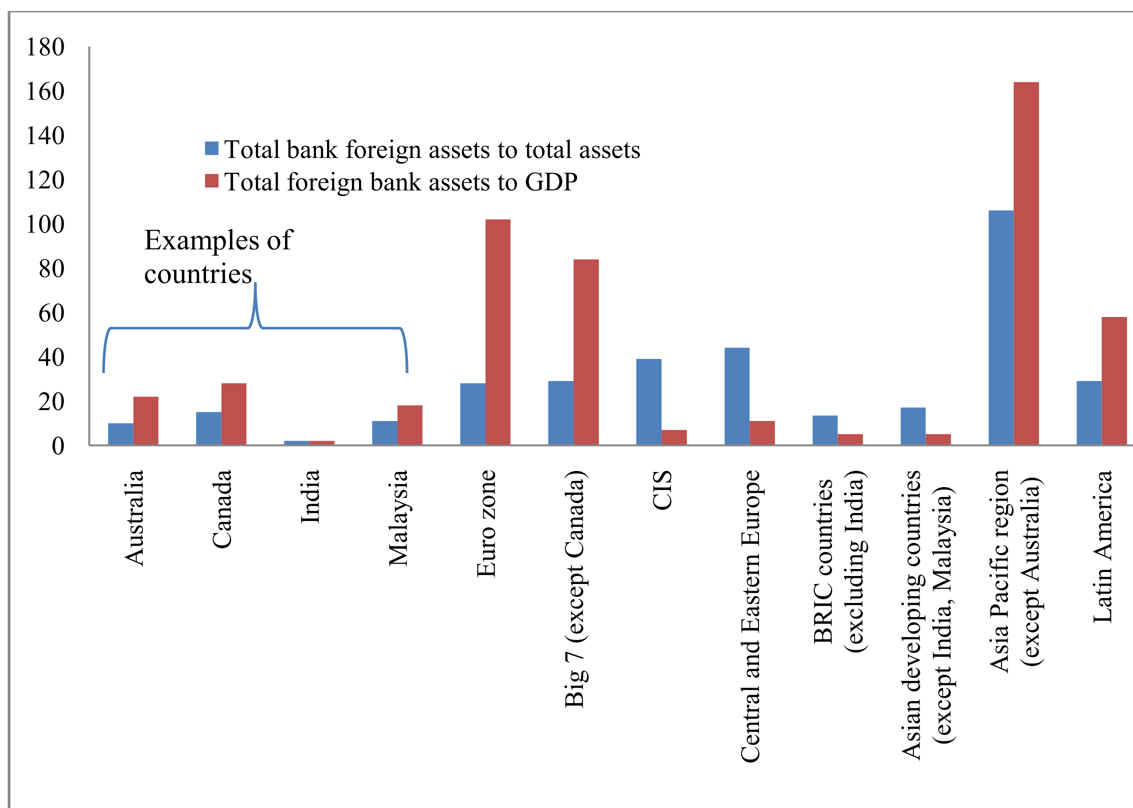

Fig. 1. The level of banking systems globalization: foreign assets, 2011 (percentage ratio of foreign bank assets to total assets, the ratio of foreign bank assets to GDP), [6, p.107]

According to economic estimates, Australia, Canada, India and Malaysia have a relatively low degree of international bank capital influence on the national banking system that helped them to avoid the worst effects of the global financial crisis. This conclusion is based on the studies of measuring the degree of national banking systems globalization of these countries on the basis of estimates of the number of foreign banks in the banking system, the measuring of the ratio of foreign bank assets to total assets and the ratio of foreign bank assets to GDP. This approach has helped to define the global independence of the national banking systems of Australia, Canada, India and Malaysia from the international bank claims and liabilities adoption.

Australia and Canada are limited in foreign banks presence in the national banking system and the foreign claims are low in comparison to the Euro zone and Asia. [see fig.1]. However, in the case of the use of foreign resources by their banks the international integration is becoming more influential on national GDP. However, Australia and Canada have less dependence on foreign liabilities to the crisis than most countries in the study group. While comparing to the banking systems of BRIC (Brazil, Russia, China, excluding India) the external isolation from foreign equity is typical for India and Malaysia for all the parameters: the low foreign banks presence, the low level of foreign assets and the low reliance on external liabilities. [see fig.1].

The policies of national banking sector regulation in Australia and Canada have some features that limit the level of global integration of their banking systems. These features include: a de facto prohibition of mergers among the major domestic banks, the main aim of this regulation is to preserve the competition in the domestic financial sector. At the same time, such a prohibition on increasing the size of banks prevents the national banks competition in the global business environment and becomes the factor of limiting

the international activities of national banks in these countries. In both economies, Australia and Canada, there are limitations to share ownership in the context of the domestic and foreign banks acquisition, although the creation of subsidiaries or foreign banks branches is not limited, except for "reasonable basis". In Canada there is a widespread rule prohibiting single shareholder of the domestic or foreign bank to own more than 20 percent of the voting in the board of the bank. In Australia the exceeding 15% of voting rights requires the special permission

India and Malaysia also restrict the foreign banks entry in the domestic banking systems, although today there has been a policy of slight easing of the appropriate regulation. Such restrictions are common for the countries with market economies of the Asia-Pacific region. However, a number of foreign banks that were included in the national banking system of Malaysia before the crisis make significant transactions in the country and make up a relatively high share towards the total national banking assets.

These studies suggest that prudential regulation of restricting the entry of foreign banks in the domestic banking systems could be less important for financial stability than the funding structure of domestic banks. The analysis shows that banking systems, less dependent on external financing, have shown a higher rate of credit loans growth for five years from the global crisis beginning. [8]. Thus, the positive experience of four countries (Australia, Canada, India and Malaysia) is explained not only by their regulation approaches, but by the formation structure of the banking system assets.

Thus, we can conclude that the foreign banks' impact on the national banking systems is controversial and is mainly determined by the socio-economic situation in the country, the degree of banking development, the national interests and the interests of the owners of foreign bank that is planning to operate in the host country.

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Review Article

KNOWLEDGE, SKILLS AND COMPETENCES REQUIRED FOR ORGANIZATION MANAGEMENT

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Summary: *The manager is a person who is responsible and accountable for achieving the planned goals of the organization or of the part of it. He is responsible for certain tasks that lead to more effective completion, that the coordination of personnel and administration of the influence to effectively complete the tasks. In general, the main task of managers is to ensure the survival and development, and to ensure the achievement of key objectives and strategic enterprises, which mainly involve the CEO or top managers in the company. At lower levels of task managers to manage specific jobs in a part of the company or certain business functions in-house. Depending on the type of manager, or the level of the place where the manager is, may be defined in different jobs and tasks performed by managers. Managers' competences can be defined as a collective ability of managers to lead the development of the organization along with the development of their own managerial resources, knowledge and abilities, in a way which helps the organization to fulfil the short term and long term goals. Having in mind the nature of manager's job, and its level of responsibility, the individuals who are managers have to have certain managerial competences.*

Key words*: manager, manager development, knowledge, skills, competences*

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1. INTRODUCTION

Turbulent changes in the global environment require appropriate adjustments and changes in business organizations that decisively influence the shaping of modern human resource management. Especially interesting are the globalization of world economy, technological progress, sectorial changes, changes in the labour market and institutionalization. On the other hand the organization of modern enterprises due to all the pronounced changes in the environment trying to find new organizational forms, new structural solutions that are sufficiently flexible and necessary adaptable (Tanasijević, 2006).

The transition process should ensure that the economic entities in the country in transition to enable the independent market performance, a healthy competitive fight for business in the international field. This implies significant changes in the organizational structure of enterprises, and in the thinking of management and employees in organizations. Key role in this process is on the executive management and domestic owners of capital who need to establish a sound market base of operations, based on continuous improvement of skills of the workforce and productivity.

Changes in the role and functioning of today's business systems, as basic subjects of economic activity, caused a radical change of role and importance of their employees. In this sense, they need new, modern managers who, in conditions of great economic uncertainty, rapid technological changes, the dynamic transformation and change of