THE SECURITIES MARKET AS AN ALTERNATIVE SOURCE OF FINANCING THE ECONOMY

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Abstract:

Currently, the world is undergoing a transformation of financial relations, in connection with which the question is urgent: what impact does the securities market have on the development of the country's economy. There is no uniform approach to determining such impact. This article examines the influence of the securities market on the country's economy, and offers a classification of such influence.

Key words:

economy, securities market, financial market, security, economic system, financial depth.

Introduction:

The securities market is a market in which transactions for the sale and purchase of securities are carried out as a result of interaction between issuers, investors and professional intermediaries. The securities market is organized in exchange and over-the-counter trading systems.

The exchange market is a type of market where securities are traded in organized, permanently functioning and centralized organizations called stock exchanges. The exchange market is the most developed, characterized by high turnovers.

The securities market performs the most important functions in the reproduction process of the economic life of society.

1. The securities market provides a constant flow of savings into the investment sector.
2. Owing to the processes that take place in the securities market in the form of capital overflow, the intersectional and interregional structure of the economy is being optimized.
3. Through the functioning of the securities market there is an inflow of foreign capital into the national economy.
4. Through the securities market, the deficit of the state budget is covered by placing government securities on it.
5. The securities market informs investors about the state of the national economy and the emerging economic situation in the country.

All these functions are important in ensuring sustainable and balanced development of the country's economy. However, it is the first function of the securities market that determines its face. It is she who shows that the securities market is the sphere in which investment resources are concentrated and through which they are distributed to the real economy. The securities market in developed countries is one of the main sources of investment financing in the real sector of the economy. In recent years, this role of the securities market has been growing at an accelerated pace, which is reflected in a significant decrease in the share of bank loans in financing the economy and an increase in the share of investments through the purchase of corporate securities by investors. Moreover, the main figure in the investment process in developed countries is individual investors.

The asset-backed securities market can provide an alternative source of long-term capital for the borrower. Thus, in countries with a low sovereign rating, the securitization mechanism makes it possible to create a class of securities, the rating of which will be even higher than the country rating, and thus attract more conservative investors. Thus, on the one hand, securitization opens up direct access to the global financial market, and on the other hand, the emergence of such an alternative source can become an impetus for increasing the efficiency of the banking sector, since financial institutions will have to compete for clients in need of financing, as well as help development of the national stock market.

Originators, which may include banks, mortgage and insurance companies and public sector enterprises, securitize their assets for a number of reasons:

- raising finance through the sale of securitized assets to SPV;
- increasing the efficiency of funding - leads to a decrease in all funding costs in comparison with traditional funding and lengthens the term;
- limiting credit risk by asset risk. Usually, as a result of securitization, the originator ceases to bear credit risks or its credit risk is limited to the amounts provided by the originator to improve credit quality. At the same time, the originator often retains the ability to generate future returns on the assets;
- improvement of balance sheet indicators. In the case of securitization through "actual sale", the assets can be removed from the balance sheet of the originator and replaced with cash, which will lead to an improvement in the corresponding balance sheet indicators;
- gaining access to various sources of funding. Securitization allows the originator to diversify funding sources, not limited to banks, and gain access to capital markets directly without the need to issue their own securities;
- reduction in the cost of financing. The weighted average cost of securitization may be lower than the current cost of raising finance through banks or other types of borrowing. It should be noted that this advantage often occurs when the credit quality of the assets involved in the securitization is higher than the credit quality of the originator's balance sheet as a whole;
- also securitization provides a more flexible instrument for balancing assets and liabilities.

Investors purchasing asset-backed securities receive a number of benefits, including:

- through asset-backed securities, they can choose to invest in various types of assets and tranches with varying degrees of risk and receive a corresponding return. This gives investors the opportunity to optimize the structure of their portfolios and enter markets where they would not otherwise be able to invest;
- Asset-backed securities have historically been less prone to price volatility compared to corporate bonds;
- it is known that higher yields are offered on asset-backed securities than on government, bank and corporate bonds with comparable ratings;
- Asset-backed securities are generally not subject to event or downgrade risk from a single borrower.

It should be noted that securitization is not usually seen as a tax optimization scheme. Usually, the parties seek to achieve securitization neutrality for the tax position of the participants (including with respect to income tax and value added tax).

Advantages for the country's economy:

- more efficient distribution of risks throughout the financial sector;
- cheaper and "long" loans for the population;
- for emerging markets, securitization should be a logical continuation of the formation of markets for more basic financial instruments - government and corporate securities.

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