Artículo de investigación

Macroeconomic Policy as A Condition for The Formation of Corporate Financial Policy

Макроэкономическая Политика как Условие Формирования Корпоративной Финансовой Политики

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Abstract

The development and improvement of market relations determine the increasing role of finance in the economy and fiscal policy in the management of business entities. Performing the functions of goal-setting and tools for its implementation, financial policy is one of the aspects of financial science and an important component of economic tactics and strategy. Due to the features and interaction of budget, tax, debt, investment and other components of economic policy, financial policy is specific to different economic systems and is largely individual for each object of management.

Key Words: Financial policy, state treasury, finance, macroeconomics.

Аннотация

Развитие и совершенствование рыночных отношений обусловливает усиление роли финансов в экономике и финансовой политики в управлении хозяйствующими субъектами. Выполняя функции целеполагания и инструментария его реализации, финансовая политика представляет собой одну из сторон финансовой науки и важную составляющую экономической тактики и стратегии. Обусловленная особенностями и взаимодействием бюджетной, налоговой, долговой, инвестиционной и других составляющих экономической политики, финансовая политика специфична для различных экономических систем и во многом индивидуальна для каждого объекта управления.

Ключевые слова: финансовая политика, государственная казна, финансы, макроэкономика.

Introduction

Russian economic environment is characterized by the underestimation of financial policy at the domestic level. In a certain way, it exists in almost every company, but, for the most part, it has a verbal (non-textual) form, is discrete in terms of the varieties covered and is inconsistent in terms of individual components. The legal and illegal instruments used in the implementation of fiscal policy are characterized by the preponderance of the latter. This reduces the importance of fiscal policy in corporate finance management, determines its formal nature in traditional varieties

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and hinders the search for new directions for its formation and implementation (Makarenko, 2006d).

Underestimation of financial policy at the domestic level entails a low level of expert assessment in the field of Russian financial management, as well as unsatisfactory financial condition parameters on the scale of most domestic enterprises, major sectors of the economy and national business as a whole.

Methods

Deficiencies in the field of corporate financial policy and mechanism for its implementation are largely due to the dynamism of finances and financial relations, which requires constant updating of methods and tools for financial management. This variability is not provided with adequate methodological support in the Russian economy. In the current conditions, developments of methodological nature in the field of financial policy are in high demand (Internal Control Integrated Framework, 1992). The article uses methods and means of economic and logical analysis, as well as methods of comparison and grouping.

Results

Policy is a form of ideology and goal-setting. In politics, understood from the time of Aristotle as the art of governing the state with the development of statehood and the evolution of scientific knowledge based on it, certain functional varieties have emerged – economic, social, financial, etc. policies, which were initially perceived as forms of implementation of state ideology in the relevant field of government.

In the 1930s, the definition of "economic policy" extended not only to the macro but also to the micro level. Thus, the complexity of the institutional structure of society and the differentiation of levels of government contributed to the spread of the concept of policy to various objects of management. This led to the emergence of economic, financial and other policies on the scale of interstate entities, national economies, regions, economic entities and households (Makarenko, 2006a).

Soviet economists interpreted financial policy exclusively as an instrument of state regulation of the economy. With the return to market realities, the importance of fiscal policy in the management of economic entities of different levels has been restored in Russia. However, at present, Russian economic literature reflects the polarization of interpretations of financial policy (state or domestic approach).

Such polarization is hardly justified since the content of the concept of financial policy is fundamentally important and not its applied role at a particular level of management. Since the isolation of interpretations of the financial policy depending on the level of management raises objections, there is a need for a universal interpretation of the concept. According to scholars, financial policy is a form of ideology implementation and goal-setting in the field of finance at any level of management (interstate entity, national economy, regional economic entity, household), including ways to mobilize financial resources, structure income, expenses and legal regulation, as well as to assess the impact on the economy of the object of management (Bokareva et al., 2018b).

The main components of macroeconomic financial policy are monetary policy, exchange rate (currency) policy, fiscal policy, reserve policy, anti-inflation policy, credit policy, debt policy (borrowing policy), tax policy and tariff policy (for services of infrastructure monopolies). At the same time, macroeconomic financial policy is largely conditioned by institutional, structural, competitive and conjunctural policies. All factors that directly or indirectly determine macroeconomic financial policy and its outcomes have a direct impact on the micro-level financial policy.

Thus, negative aspects of monetary policy and problems with money supply and circulation contribute to the development of barter operations in the policy of mutual settlements of enterprises and organizations. Low payment discipline leads to the minimization of sales in installments in settlements with buyers. The instability of the national currency, which is a consequence of shortcomings in exchange rate policy and reserve policy (in terms of ensuring the national currency), determines the active role of foreign currencies in settlements and mutual settlements, leads to frequent changes in prices and instability of pricing policy and complicates the formation of financial policy in the long term (Bokareva et al., 2018b). Shortcomings in the budget policy in terms of the formation of budget revenues cause a fiscal burden on the economy, resulting in intensified/reduced shadow operations. This determines the degree of financial transparency and the level of legalization of the company. On the other hand, the policy of budget expenditures predetermines inflation (Makarenko, 2006a). With an unsuccessful anti-inflationary policy and a depreciation of the national currency, an accumulation policy becomes meaningless while long-term assets, sources of financing and, consequently, capitalized value are depreciated, which makes the capitalization policy meaningless, restrains investment activity and determines the characteristics of the investment policy of economic entities.

Credit policy, while helping to maintain the liquidity of the banking system, leads to a freeze of funds and restrains investment injections into the economy. The cost of credit resources due to interest rates also acts as a deterrent factor in the investment activity of economic entities (Bokareva et al., 2018a). At their high cost, preference is given not to borrowed but to attracted sources of financing, which are mostly short-term in nature and, therefore, unacceptable for investment.

Disordered debt policy at the macro level leads to a low credit rating of the country, against which the ratings of individual economic entities are indistinguishable, which hinders their promotion in international markets. On the contrary, a high country rating promotes the activation of economic entities in the world markets and gives them access to relatively cheap credit resources due to low-interest rates in developed countries. Thus, debt macroeconomic policy largely determines the policy of positioning companies in international markets and their investment attractiveness, allowing diversifying credit resources and reducing their cost, therefore, directly affecting the corporate borrowing policy and investment policy.

The tax policy and the level of taxation determine the scale of shadow operations, the degree of legalization of financial and economic activities of economic entities and their financial transparency (Makarenko, 2006a). With a reasonable tax burden, shadow operations are minimized; the scale of operations and high financial results are an effective financial argument in the positioning of a company on the market, determining a high corporate rating, investment attractiveness and creditworthiness. The internal tax policy is limited to the framework of tax management under these conditions, which operates using primarily legal ways to optimize taxation (Makarenko, 2006c).

Tariff policy for services of infrastructure monopolies is a factor that determines the level of cost of products, works and services, therefore, determining the features of the cost management policy.

Problematic issues of institutional policy, in particular, non-functioning information, contribute to the activation of informal "rules of the game" and the functioning of formal institutions in the image and likeness of informal ones. In these conditions, legal turnover is minimized, shadow operations are increased and business transparency is reduced. Structural macro-policy largely determines the diversification and assortment policy at the micro level. The monopolized market allows the possibility of collusion and contributes to the formation of the pricing policy of economic entities in the interests of producers without taking into account the interests of consumers.

Discussion

Financial relations between the state and economic entities in the market are derived from the following (Bokareva et al., 2018b):

- Macroeconomic policy and its objectives;
- Degree of state administration and level of state intervention in the economy;
- Tax pressure on the economy and amount of withdrawal of income (profit) of economic entities in centralized funds and budgets;
- Availability/absence of subsidies for both producer and consumer in the conditions of free-market pricing.

The analysis of modern Russian realities allowed characterizing the modern model of financial relations between the state and economic entities as follows:

- Declarative stimulating: the stimulation of economic growth, not supported by tax instruments, combined with entropy promotes the withdrawal of business from the real economy to the stock market and sectors that do not compete with imports (trade, services), on the one hand; on the other hand, it narrows the time horizons in planning and management, focusing on short-term periods;
- Dirigiste: public investment and the growing role of the official are the main driving forces of economic growth; amid increasing administrative pressure and uncertainty, business activity and the quality of economic growth are declining, the real sector of the economy is weakening and speculative operations are intensifying;
- Tax-intensive with increasing tax administration: in recent years, there has been an excess of the "Laffer curve" (35.6% of tax exemptions from GDP) and a growing trajectory of tax exemptions with the reduction of many tax rates;
- Subsidized in relation to the consumer at the expense of the business. Macroeconomic financial policy under the current model of financial interaction between the state and economic entities largely determines the formation of financial policy at the micro level (Makarenko, 2006b).

Generalization, systematization and development of existing approaches to the classification of financial policy at the internal level allowed us to identify the following criteria for the classification of corporate financial policy (Fig. 1).

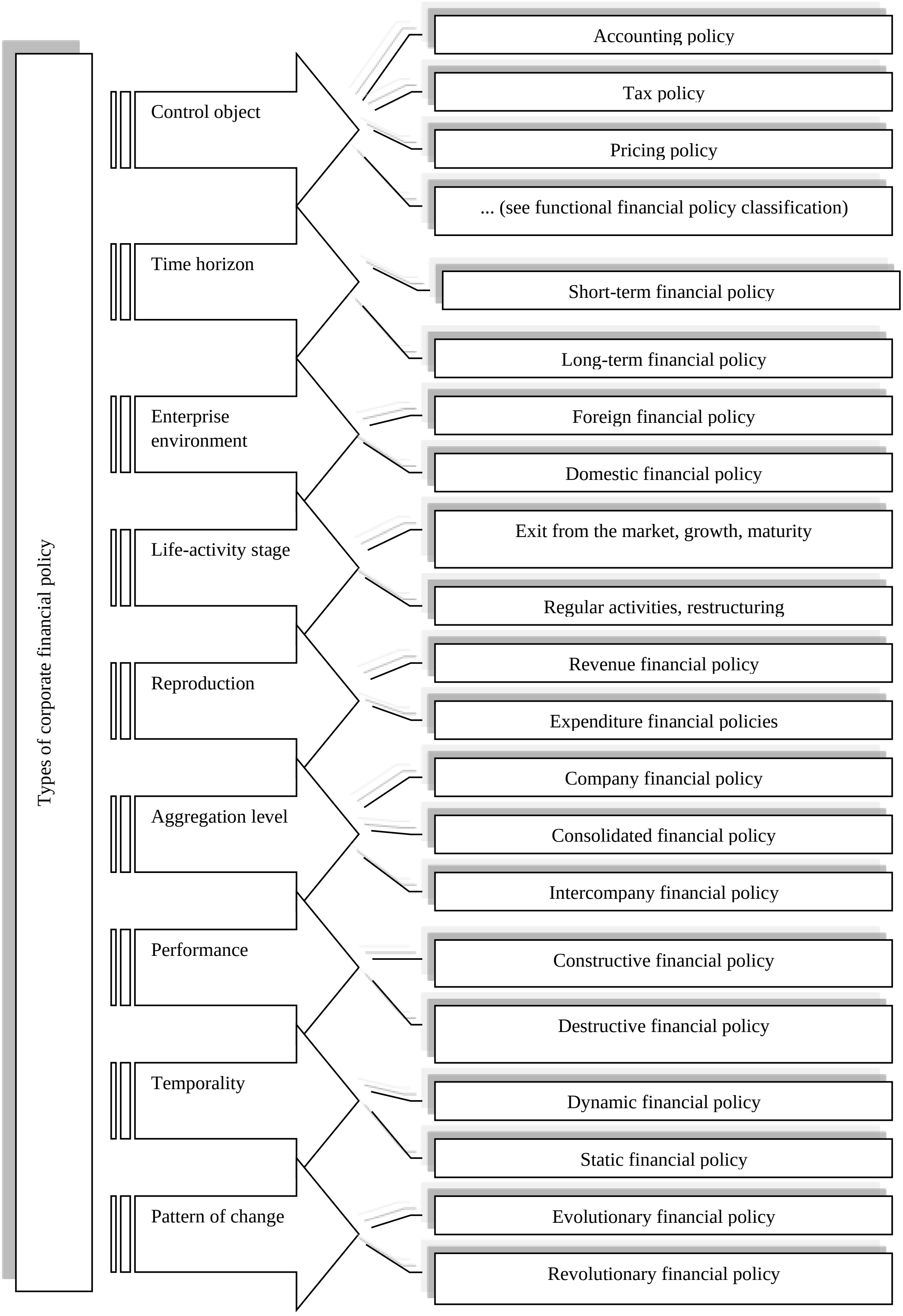

Figure 1. Classification of The Varieties of Corporate Financial Policy (Bokareva et al., 2018b)

The criterion that determines the largest number of varieties of financial policy is its functional purpose, resulting from the object of management. Within the framework of this classification feature, we identify several types of financial policy

- Control object or functional feature;
- Time horizon;
- Enterprise environment or business lines;
- Life cycle phase or life activity stage of the enterprise;
- Nature of participation in reproduction;
- Aggregation level;
- Performance;
- Temporality;
- Pattern of change.

The criterion that determines the largest number of varieties of financial policy is its functional purpose, resulting from the object of management. Within the framework of this classification feature, we identify several types of financial policy:

- Accounting policy, the management object of which is the rules of accounting in cases where legal acts allow variation. The directions for accounting policy development are its organizational and methodological aspects. Instruments of implementation of accounting policy can be a set of methods of primary observation, cost measurement, grouping and final generalization of the facts of economic activity;
- Tax policy, the object of management of which is the rules of formation of taxable bases. Tax policy can be developed in several areas, for example, assessment of the effectiveness of the aggregate level of taxation, the choice of priorities of tax management. The instruments of tax policy implementation are the choice of the tax regime, development of contract schemes, choice of jurisdiction, etc.
- Pricing policy, the object of management of which is pricing in the enterprise. Pricing policy can be developed in the direction of price formation regulations, allowances and discounts to it, justification of the need for transfer pricing and methods of its implementation. The tools for implementing the pricing policy are pricing methods, the maximum price level, the rules for setting price premiums and discounts, their types and sizes, ways to support customer loyalty, the scale of transfer pricing, etc. The components of the pricing policy are as follows:

– Customer loyalty support programs,
– Policy of mutual settlements with buyers, which determines the rules of payment for goods, works and services, the allowable size and age of receivables, the rules of its control and collection;

- Liquidity management policy, the management object of which is the financial condition of the company in the short term (up to one year), liquidity of assets and liquidity of the balance sheet. Liquidity management policies can be developed for individual components of current assets, as well as in the framework of solvency maintenance and anti-crisis programs in the case of pre-bankruptcy. The instruments for implementing the liquidity management policy are the rules for writing off illiquid assets, the target liquidity level of the balance sheet and its maintenance, the frequency and procedure for revaluation of current assets, assessment of their turnover, etc.;
- Financial stability management policy, the object of management which is the financial condition of the company in the long term (more than one year). The instruments for implementing the financial stability management policy are the target level of own and borrowed sources of financing, criteria for assessing financial stability (foreign standard, early and late Russian standards), monitoring compliance with the "left and right hand rules", the path of changes in financial stability, dynamics assessment, etc. The components of the financial stability management policy are as follows:

– Self-financing policy (methods of covering simple and expanded reproduction, as well as methods of reproduction of long-term assets),
– Borrowing policy (acceptable conditions, scale and duration of borrowing sources of financing, loan structure long-term/short-term, etc.),
– Capitalization policy and the content of the company's value policy associated with it;

- Profit generation policy, the object of which is the profit before and after taxation. Since the profit is a value derived from the volume of sales and costs, the directions of development of the policy of profit formation are the sales program, cost policy (including depreciation policy), non-operating income/expenses. The instruments of realization of the policy of profit formation are the procedure for determining profit, its target level, the trajectory of changes in profit, dynamics control, the level of profit taxation, the ratio of profit before and after taxation, etc.;

- Profit usage policy. In this case, the object of management is the net profit remaining at the disposal of the enterprise after taxes and mandatory payments. The main directions of development of the policy of use of profit are a dividend and investment policy. The main instruments are the norms of profit distribution for consumption and accumulation, the procedure for making investment decisions, the calculation of dividends and other areas of profit consumption;
- Incentive and responsibility policy, the management of which is labor incentive and employees' liability. This policy is developed in the direction of regulations of remuneration, bonuses (bonus programs), financial responsibility, programs of social support of personnel. The main instruments of the incentive and responsibility policy are forms and systems of remuneration, methods of encouragement, their binding to the results, evaluation criteria of the result, the procedure for collecting shortages, etc.;
- Fiscal policy, cash flow management policy, or budgeting. The object of management, in this case, is the cash flow. Budgeting policy is developed in the following areas: regulations of currency operations, non-cash payments, cash circulation. Budgeting tools are the determination of the scale of monetary turnover and its components (cash and non-cash turnover, sources of income and expenses generation), the calculation of cash inflows and outflows, the assessment of the cash flow rate, the calculation of the target cash balance, etc.;
- Balance sheet policy, the object of which is external financial reporting. The balance sheet policy is developed within the framework of existing forms of financial reporting and, therefore, the main directions of its development are balance sheet optimization, profit growth, cash-flow policy. Two approaches to balance sheet policy are known in economic theory: a way to manipulate the parameters of financial statements, on the one hand; on the other hand, a corporate finance management tool. In the framework of corporate financial policy, balance sheet policy may be of interest in these two aspects. Depending on the chosen approach to the balance sheet policy the instruments of its implementation are differentiated;
- Financial positioning policy focused on the external environment of the enterprise. The directions of development and implementation of this policy are as follows: increase of financial transparency, rating, improvement of business reputation and other competitive advantages of intangible nature. The instruments of implementation of the financial positioning policy are as follows: determination of the composition of financial information for external users and ways to communicate it to business partners, government institutions, rating agencies, creditors, buyers; participation in the rating in various areas of the company, as well as identification, evaluation and reporting of intangible assets and their positioning as sustainable competitive advantages in PR-management, marketing, investment management, etc. (Makarenko, 2006b).

The classification of corporate functional financial policies by object of management is presented in Fig. 2.

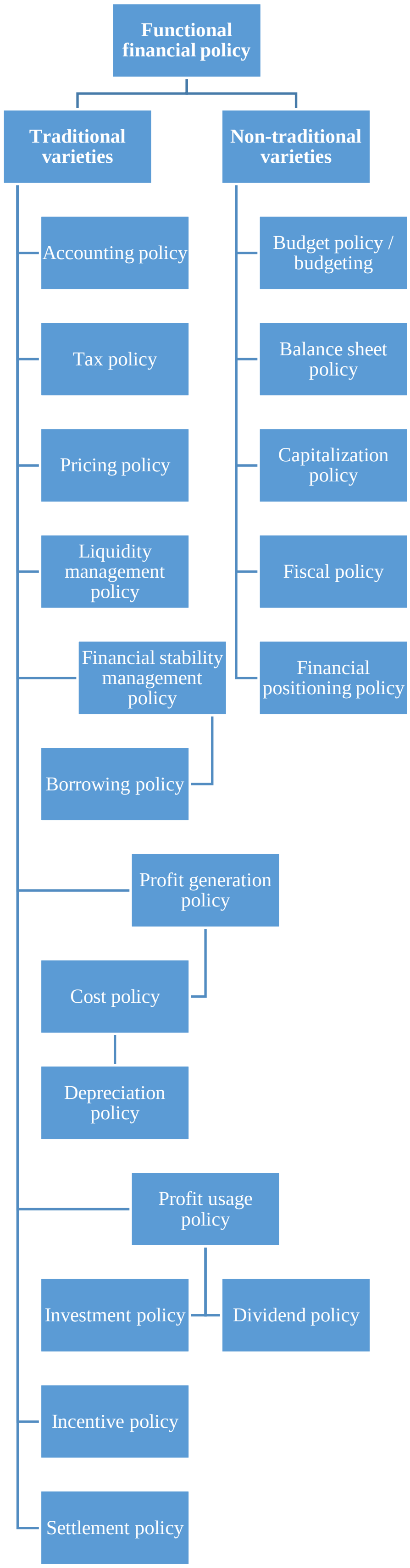

Figure 2. Classification of varieties of the functional financial policy of a company (Makarenko, 2006a).

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Conclusion

Financial policy is available in almost every company, but for the most part, it has a verbal (not textual) form, is discrete in the functional varieties covered and is inconsistent in terms of individual components, i.e. in domestic practice, there is an obvious underestimation of financial policy at the domestic level.

The aforementioned is confirmed by the results of the survey conducted by the author at the enterprises of Moscow and the Moscow region of various sectors of the economy and activities. The surveyed sample included hotels, security business, leasing companies, telecommunications, wholesale and retail trade, publishing and intermediary activities, Internet service providers, news agencies, film studios, educational institutions, ateliers and workshops, real estate companies and financial institutions.

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