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SOME COMMENTS REGARING THE GLOBAL CREDIT RISK AND BUSINESS ENVIRONMENT

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Abstract *The starting point of the article is that the issue of globalization is extremely ruthless and we need to make some clarifications on a few aspects: the expansion of global capital flows, the influence of marketing that has become "devoratory", the instability and financial mechanisms, mergers and acquisitions, etc. On such a vast issue, it is necessary to analyze, not only to understand the mechanisms that create the dynamics from the content of which derive a series of classical risks, but also some specific macroeconomics at the level, regional, international and global. We have no claim that we have solved the issue, but we believe that an order of ideas in global credit risk has made it possible.*

Key words:
Risk
Globalization
Credit
Business environment
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G32, G34

1. INTRODUCTION

The global credit risk gives expression to the likelihood of deteriorating of the quality of banking assets under loans. The overall risk of insolvency is an increasing function of the mass of loans granted, the interest rate and the national economic environment. Moreover, with the increase in credit volume, insolvency cases are rising in an accelerated manner, as an expression of the fact that the increase in credit proportions brings to the debtors an increasing number of potentially insolvent individuals. Also, the rise in the interest rate, amid the overheating of the economy, is another factor in amplifying global insolvency.[13]

Under the influence of economic phenomena, such as large-scale social and financial policies, credit risk issues are marked by new trends. Thus, market globalization and economic integration deepen the interdependence between the economies of the countries as well as between the enterprises, which determines the unprecedented expansion of the credit, revealing, on the one hand, the internationalization of the business, and on the other hand the increase in the deficit of resources and needs lending to major transnational companies.

2. REFLECTING WORLD ECONOMY IN SUMMER FORMS

We can note that the variety of forms of banking intermediation, manifested in the variety and novelty of the banking products and services, offered to the clients, both in the banking and banking sectors, has increased, which has led to an increase in the credit risk that could surpass the economy to any country in unprecedented circumstances in its history, through long-lasting and unfavorable consequences.

In this context, the merger of the banking companies was imposed as a modern method of managing the global credit risk, both within the country and at the international scale. The new merged banking entity has consolidated capital that better covers the losses caused by the credit risk. The merger process is a general feature of modern economies, with mergers being made in all economic branches, but especially in the financial field.

It is difficult to conceive a definition of globalization, but the term in itself is fully related, and the definition must be structured in stages, depending on the evolution of the capitalist system.

Nowadays, in the economic sphere, the totality reflects the world economy, and from a functional point of view, globalization presupposes a summing and concentration of economic, political, social, cultural, informational relations and interdependencies between two or more power poles in which we always notice the center and core of entities under its direct conditioning. Some of these relationships are visible in the economic, social, cultural, informational sphere, others have an indescribable structure for the vast majority, being the rank of economists and subtle politicians.

In the history of capitalism, "globalization is a relatively more recent phenomenon, germinated by the impressive economic, social and political transformations resulting from the end of the First World War,"[2] the collapse of European empires, the rise of the United States, the loss of colonies by Great Britain, France, the Netherlands, Germany and the emergence of centralized economy in the former USSR and China [5], "with the establishment of Communist governments.

The result of these new relationships and interdependencies that emerged after the First World War and amplified after the Second World War underscores a new center-periphery vector in which the center is represented by the economically developed countries, which also fulfill the role as an engine of economic development and periphery composed of poor or developing countries.

From a historical point of view, evolution is normal, taking into account the emergence of new states and new modes of production, but it is necessary to underline the prominent rise of financial capital, the economic conditions of each economy and, in particular, markets each country.

The global economy, says George Soros, "is not only characterized by a free trade of goods and services, but even to a greater extent by the free movement of capital. Interest rates, exchange rates and stock prices across countries are strongly interlinked, and global financial markets exert an overwhelming influence on economic conditions. Given the decisive role that international financial capital plays in the destiny of each country, it is not inappropriate to speak of a global capitalist system [10]. "

3. INTENSIFICATION OF FIRE CAPITAL LIFE CIRCULATION

Today, the capitalism tends to represent a global system in which financial flows are expanding both inside the economies of each country, intersecting internal creditors and borrowers (population, companies, financial institutions and authorized intermediaries), but also globally, covering continent expansion and geographically distant regions, globalizing debtors and creditors, for whom mediation is no longer confronted with geographical distance, relations being established without knowing each other, as is the case in pre-Korean societies and at the beginning of the capitalist.

Among the causes that have led to an increase in the free movement of financial capital can be mentioned>[9]

- the uneven growth rates of economies positioned in various geographic areas and the uneven variation in demand elasticity specific to national economies in relation to supply;

- unequal labor productivity rhythms, directly influenced by the development of IT and computerized products, in economically developed countries;

- the deepening of the division of labor, in parallel with the asymmetric evolution of labor productivity;

- increasing the volume of world trade and accentuating protectionist measures by some countries who see their production of traditional goods and services in competition with goods, products and services made by countries with more advanced technology and labor productivity;

- changing ownership structure in large national and transnational companies, directly related to the interest of maximizing profits by management of organizations. This is what George Soros, in his study of global capitalism, calls the triumph of capitalism.

"The triumph of capitalism is most visible in increasing the number and size of publicly traded companies in national and international capital markets. Managers are equally concerned about the market where their firms' shares are quoted and the markets on which their products are traded

If the question arises, the signals coming from the financial markets take precedence over those from the product markets: managers will be ready to give up sectors or sell the whole company if this will increase the value of the shareholders, will maximize profits rather than market segments. "

Thus, in the global economy, "the dominance of financial capital as a direct form of expression of profit - in the process of maximizing it, in relation to the actual production of goods and services [11]. The phenomenon has a double reflection: on the one hand, in an attempt to increase the prices of shares on the one hand, and on the other hand, in the practice of aggressive marketing, which could synthesize "devouring", which aims to influence the demand by modifying its elasticity. The quest for an ever-growing share price has led to the development of speculative speculative selling of sellers selling securities through various transaction-specific techniques to capital markets, offering them for sale at a higher price. "Circle play" sometimes creates both a fictitious demand for these actions and an overvalued price, being one of the factors that cause instability in the financial markets [7], as it creates financial flows that are not counterbalanced by real flows of goods and services.

4. "DEVORATORY MARKETING"

The devouring marketing boosts demand in excess to influence the volume of sales, and when the market share for a particular segment can no longer be changed, it requires new markets.

The development of the global market for international exchanges, gradually leads to the disappearance of small businesses and small companies, but it makes sensible growth of outlets. As an economist notes, in a study dedicated to the capital market, "less felt by highly specialized or capitalist societies, globalization has prompted multinationals to accelerate their focus in order to reduce fixed costs." Subject to this continuous pressure, small companies have only two alternatives: disappearance from the market or merger with larger groups. In this way, the position of the company on the market appears as an element that determines its duration and price.

The emergence of the single European market has been an example of the "craving" of the large acquisition and merger groups "overcoming small businesses".

For the global world, values are not easy to appreciate, traditionalist models have collapsed, there has been a growing expansive diversity of goods and services, information is continually multiplying and undergoing updates and refurbishments, at intervals of time short, people have a greater freedom of choice, they are challenged by more proposals and temptations, the choice involving more excesses alongside reason. Some choose the money as an end in itself, showing the tendency of replacing exchange values, goods and services with the money itself (the inclination towards liquidity), but others need confidence to invest in productive activities or to speculate on the market capital.

Returning to market fundamentalism, one can notice that it is most concretely expressed in the need for trust, but need can also create excesses, and trust can be achieved by attractiveness or by presenting financial information in another format, at certain time intervals.

As regards financial instability, there is a true literature that studies the different theories of this instability, each theory contributing to the understanding of financial crises, but each, limited to the analyzed cases.

5. MECHANISMS OF FINANCIAL INSTITUTION

Globalization which acts in an evolving capitalist system in the "market fundamentalism" phase, is, in itself, a factor that potentiates financial crises, risking at any time to produce the great disintegration. It can be argued that the mechanism that influences and transmits the factors that determine the financial instability is the following: [10]

1 extending the activity of new entrants to the financial markets can induce creditors to change their way of establishing credit relationships and offering low-credit loans (extra-credit) based on less relevant information. This is what is called the "cannibalism of new creditors" who tend to lend on the basis of asymmetric information during the initial stages of lending, the desire to "eat" more and more of the market, which ultimately leads to relaxation credit standards for both new entrants and other creditors;

2 uncertainty can be increased by new entrants. Needs can not be sufficiently understood by new entrants unable to notice the changing external conditions of the environment in which they operate, and their knowledge of market dynamics is less useful. Thus, the lack of experience of new entrants can create even greater uncertainty. Not knowing the dynamics of demand and supply on the market may favor the emergence of herding or lending to the same type of customer, which leads to non-credit risk;

3 competition may cause firms not to make adequate provisions for unsecured risks, such as financial crises, for reasons of ignorance or the desire not to lose competitive advantage (provisions lead to a reduction in shareholders' profit when constituted);

4 lack of long-term strategy, sufficiency and short-term business planning lead firms to an inadequate estimate of risks that may arise throughout the economic cycle and again through competition helps to reduce prudential standards for the entire market;

5 capital market competition - stimulated by "market play", frequent attempts by new entrants or market developments can lead to a cumulative reduction in market prices until they are exchanged for losses to participants and with a withdrawal market or resettlement.

"The rise in financial instability in the global capitalist system has also overlapped with the acute need for resources of major economies (USA, Japan, European Economic Union), a reality that stems from the very entropy of the system that is more than 500 years old and which tends to turn the "center" into a huge black hole, ready to swallow the "periphery of the system" in profound transformations. This adds to the migration of international capital flows [10]. "

6. INTERNATIONAL FINANCIAL FLOWS

Regarding to the international financial flows, the literature focused on understanding the "financial instability of the exchange rate crisis, which stimulates possible gains from speculation, against fixed-rate depreciation of some currencies, related to the foreign exchange reserves of certain countries and the variation of certain factors among which are the external net assets and balance of payments'.[6] The contribution of international capital flows to financial insolvency has introduced a number of additional elements that act on the crisis transmission mechanism, including:

- the policy adopted by the authorities to counterbalance the pressure on the exchange rate by raising the interest rate can trigger a worsening financial instability;

- the complications brought about by the financing of the public or private sector in foreign exchange, which is that the equilibrium position is sensitive to the exchange rate and leads to a potential link between depreciation - in the context of a currency crisis and financial instability. The danger is even more acute as foreign exchange reserves in foreign currencies are low to cover foreign debts or are already consumed by previous crises. In this context, the liberalization of financial institutions has often taken place in connection with oversight of capital movements, allowing new liberalized financial intermediaries to take more into account the risk of foreign currency lending,

- the role of institutional investors has increased as the increase in international capital flows strengthens, resulting in increased market pressure, with rapid withdrawal of these investors from declining markets, destabilizing domestic financial markets and exchange rates [3];

- "Market contagion, explained by a similarity of paternalistic models" is possible [4].

Conclusion It can be said that the traits noted by the internal theories of financial instability can be generalized at an international level, especially since the new financial institutions entering the credit market may not know their customers well enough, the role of trust, banking panic and international contagion, credit crunching and moral hazard are added. The quantitative analysis of factors of influence reveals factors present in triggering all financial crises (high frequency factors) and factors that have acted only in certain crises.

7. FUSION AND PURCHASE ACTIVITIES IN THE EU

Mergers and Acquisitions in Europe are in different patterns depending on:[8]

- market sectors involved - mutual banks, public property banks, savings banks;

- the size of the relevant market;

- the relative size of institutions, reported at international level, with other markets and specific segments;

- development and integration of IT technologies, specific to each financial institution.

The countries of the European Union have their own experience in terms of the pace and history of banking system restructuring. Before studying the recent developments, some of these models can be remembered when possible through an explanation of recent developments. Thus, in the late 1980s and early 1990s, the bank restructuring and concentration process took place in small European Union countries such as Denmark and the Netherlands. This process has led to the creation of large national institutions prepared for competition in a single market, or as a regional one.

In the early 1990s, in a severe crisis of the Scandinavian banking system, mergers and acquisitions created large institutions in Sweden and Finland. Banks in the UK, not at all small compared to other similar international financial institutions, experienced a series of mergers and acquisitions in the late 1980s and early 1990s. In Spain, a similar process took place in the early 1990s, involving, in particular, savings banks. Over the same period, several countries have endeavored to privatize some of the major public property banks by attracting private investors.

8. CONCLUSIONS

Moreover, a trend has emerged for institutions with a mutual ownership structure, namely "demutualization" (in countries such as the UK and Ireland, Denmark and Germany). Institutions (such as construction societies and savings banks) who have a mutual organization have abandoned this organizational form and converted corporate ownership into other legitimate private forms. Also, "there is a general trend to strengthen commodity exchanges globally, which leads to the development of the industry".

Taken together, privatization efforts and "demotivation" have increased interest in mergers and acquisitions, increasing the number of participating institutions. Another model of mergers and acquisitions is characterized by the geographical expansion of major European banks in emerging markets such as South East Asia, Central and Eastern Europe and Latin America. Banks in the EU countries have expanded into emerging countries, particularly those in which there have been historical links between countries (such as Italian, Spanish and Portuguese banks, Latin American and Central European banks and the East, with more caution). The model reflects the convergent action of several factors including:

- model of economic development center - periphery;
- Historically - former colonies;
- psychological - fear of communism;
- the production structure.

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