International corporate finance and financial markets

Finance

International Corporate Finance and Financial Markets International Corporate Finance and Financial Markets Introduction Globalization is increasingly becoming a modern business strategy in the world today as companies as companies struggle to compete for the global market (Sercu, 2011). This has seen many large companies internationalize their operations. As a result, company managers, whether international or domestic, must have the knowhow required of multinational companies. This is reverberated by the increase in capital market integration taking place in the global market. This paper explores the significance of the international corporate finance and financial markets to global finance.

To begin with, international corporate finance deals with a number of activities pertaining to the multinational corporations. Some of the activities of the international corporate finance include the management of cash, capital, debtors, inventory and short term financing. The corporate finance as far as global finance is concerned since it enables companies to evaluate funding requirements, as well as plan its corporate capital. Having a clear understanding of the capital structure of a firm is crucial for the managers since it provides a clear insight into the various sources of finance that may be needed in order for the company to operate effectively blobally. For instance, having enough cash for operation is vital particularly for companies with declining sales numbers. In such a situation, international financial markets become significance as it allows organizations to obtain a pool of liquidity. This is a strategic technique required of company top managers in order to ensure the success of a company in the long run. Financial markets are also important for organizations since it enables firms obtain financial by issuing of stock or share capital and corporate bonds (Sercu, 2011).

Global financial markets are also important for companies and individuals since it provides investment opportunities, which enables exchange participants to fulfill their long and short-term financial objectives. Companies tend to involve in equity transaction as a means of generating extra revenue. The additional revenue generated is vital as it can help the company reduce red ink, particularly if the principal activities of the firm indicate slothful performance (Claessens and Laeven, 2006).

Regulation of the global finance is another crucial role played by the international corporate finance and financial markets. There are usually government agencies in the global marketplace that are concerned with the regulation of the activities of investors to ensure that market players are protected from illegal trading activities that may make their suffer losses (Picciotto and Haines, 1999). The regulation agencies also ensure that listed companies report accurate data in their annual reports so as to prevent hiding mediocre operating results. In the U. K., for instance, there is the U. K. Financial Service Authority that regulates the country’s marketplace. Another is the U. S. Security Exchange Commission concerned with the regulation of the marketplace in the country to protect the market players from illegal or unscrupulous dealings likely to make investors lose their investments according to Steil (1994).

In conclusion, the international corporate finance and financial markets have a lot of implications in the global market as far as the funding, investments and regulation of global market is concerned.

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