PRIVATE EQUITY FUNDS: FEATURES OF FUNCTIONING AND DEVELOPMENT

Over the past two decades, there has been a steady growth in direct investments in the world, including due to the activities of foreign direct investment funds (private equity). In mid-2017, the total value of assets under management of such funds exceeded $ 2.5 trillion, while the unused reserve for investment in enterprises is estimated at $ 1 trillion.

Private equity funds generate profits in three ways: through financial, managerial, or operational engineering. Private equity funds differ in the method of financing their portfolio companies. Some funds acquire minority stakes in companies. Others — controlling stakes in existing companies, while actively using borrowed funds to finance part of such acquisitions. The active use of debt financing in these transactions contributes to strengthening financial discipline in portfolio companies, which are forced to make timely payments to repay debt.

For the past 15 years, private equity funds have been an alternative to bank financing in countries in transition. Despite this, in these countries there is the potential to increase the activity of these funds [1].

There are a number of ways in which government agencies can expand the presence of private equity funds in these countries.

First, to assist companies, potential investment targets, in entering foreign markets. This will strengthen the cross-border integration of markets, especially in sectors such as retail, consumer goods and information and communication technologies, to which private equity funds show the greatest interest.

Secondly, the interaction of private equity funds and the state. Such interaction can manifest itself in the form of mutual investment or consulting start-ups that are potentially interesting in the future as they develop for such funds, at public expense.

Thirdly, improving the conditions for the credit markets by stimulating the practice of providing long-term bank loans and correcting information between banks and companies that meet the existing requirements for direct investment [3].

Some private equity funds are seeking to increase capitalization of assets thanks to information about companies disclosed during their due diligence. This procedure is too expensive and not always available for smaller, less transparent companies.

Improving the exchange of information about such companies between banks and private equity funds can improve the assessment of credit risk and provide access to credit.
In turn, this will allow companies to make more investments in fixed assets, and direct investors — to get greater financial returns by attracting borrowed funds.

Thus, private equity funds can be an alternative to bank financing in countries in transition. Their development will be important not only for the growth of companies, but also for increasing the attractiveness of direct investment in these countries as a whole.

References


TRADE IS AN ENGINE OF THE ECONOMIC GROWTH

Trade is one of the most ancient and important branches of human activities. In the modern world it is the biggest economic sphere of any country both for the scope of activity and for the number of employees.

We can say that trade is an economic area that is developing really fast in our country. There is an expansion of trading platforms and an increase in the number of shopping facilities: the number of retail stores in 2017 increased by 7,613 units, stores by 2,928 units, shopping centers by 30 units, the number of markets decreased by 4 units. Besides, Internet commerce is developing actively: on January 1, 2018, 16,175 online stores are registered in the Trade Register [1].

But despite the fact that the country is moving forward in this sphere, there are a number of problems that we have to overcome.

The first problem is that the volume of imports exceeds the volume of exports. Although the amount of exports and imports of Belarus has increased over the last year, the turnover of foreign trade has decreased, compared with 2011 [2].

In order to extend the volume and range of exports it is required to increase the sales of already existing exporting firms and to let new local manufacturers enter into foreign markets. Moreover, it is necessary to stimulate exports to change the principles of the tax system, state regulation and to reduce the administrative costs of business operations. When the government refuses a part of direct revenues to the budget, the competitiveness of exporters in foreign markets will extend. In that