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THE ROLE OF INVESTMENT BANKING IN MODERN SOCIETY

Annotation. The article is concerned with Investment Banking in modern society. The role of Investment banking was studied. The main spheres of Investment Banking influence were revealed. The basic requirements for further Investment banking successful development were stated.

Анотація. Розглянуто деякі питання інвестиційних банків у сучасному суспільстві. Надана увага ролі інвестиційних банків на сучасному етапі. Розглянуто головні сфери впливу та вимоги до подальшого успішного розвитку інвестиційних банків.

Аннотация. Рассмотрены некоторые вопросы инвестиционных банков в современном обществе. Определена роль инвестиционных банков на данном этапе развития, изучены основные сферы влияния, а также основные требования для дальнейшей успешной деятельности инвестиционных банков.

Keywords: investment banking activity, shares security, mitigation, stocks and bonds, investment risk, the bank securities portfolio.

Banking occupies one of the most important positions in the modern economic world. It is necessary for trade and industry and it is one of the greatest branches of commerce. Although banking has existed in one form or another since very early times, modern banking is of recent origin. Banks in developing countries have to play a dynamic role. Economic development greatly depends on the resources and ingenuity of the banking system. It has to respond to the multifarious economic needs of developing countries. An institution such as the banking system, which touches the lives of millions people, is inspired by the great social purpose and has to serve national priorities and objectives. A well-developed banking system provides firm and durable foundation of any country's economy. That is why the investment banking plays the main role in banking activity and determines the topicality of the article.

Analysis of current economic situation is closely connected with relevant investment banking research. The lending investment and stock market investment studies were made by the following foreign scholars: S. Ross, William Sharpe, J. Cinque, D. Lindsay, E. Dolan, T. Koch. Behovych M., P. Drucker, R. Landau, N. Mahnke, Schumpeter and others.

The aim of this article is to substantiate the theoretical nature of the investment operations of commercial banks and their long-term lending activity.

Complex of the following objectives of the article helps to achieve its aim. They are:

to identify the characteristics of the investment activity of commercial banks;

to describe the nature and importance of investment banking;

to reveal the type of investment banks and their place in the banking sector;

to analyze the investment risks and offer the recommendations for mitigation;

to study the market transformation of the commercial banks investment activity.

When we talk about investment and investment banking, we talk first of all about business management and finance. Investment is some asset that is placed in a bank or venture either to save money or to raise it. It makes individuals and organizations transact investments. To understand investment banking, we have to understand its origin. The term "invest" comes from the Latin "vestis", which means "garment". It was used to denote the act of putting one's resources into some other pocket. Investment banking is a particular banking system that allows customers to invest their money directly or indirectly, to help companies, government and individuals to raise funds by means of bond selling, security sales, mergers, acquisitions and issuing of the IPO (initial public offering). Investment banking uses both old and new techniques known in the investment industry [1].

There are two types of the investment banks. The first type is the central bank, which loans stocks and bonds to the clients for a certain term. Then the bank invests money used by the clients to purchase more stocks and bonds. In some countries investment banks have their networks of profitable financial and lending institutions. They also invest in property development and construction.

In Ukraine a client with the stocks and bonds would receive profits which were made on his money in a certain period of time. It can be justified that both a client and an investment bank have profits from the client's initial investment. As far as banks know all pros and cons of trade, it is usual that small or large business ventures and corporations seek for their help on the matters of mergers, acquisitions, and other corporate activities.

The second type of investment banks is merchant banks. These banks are involved into trade financing and also provide share capital to business ventures. These investment banks are based on the principle of shares security and finance only those ventures that have their brand in the business world. New businesses usually are not financed [2].

Making a decision to invest, a customer or a bank must carefully consider the risks connected with operations in the security market, investment objectives and financial capabilities.

Qualitative assessment of bank's investment risk includes: identification of risk factors, analysis of the conditions under which the risk arises, identifying potential areas of risk.

Quantitative risk assessment is performed by various methods: statistical, analytical, method of peer review, the use of analogies, etc.

Management of investment risk involves timely identification, assessment, analysis and determination of the most efficient and effective ways of investment risk reduction. One of the most widely practiced ways of risk reduction is to diversify the bank securities portfolio. The maximum reduction of investment risks is achievable if the portfolio contains 10 to 15 different securities. Over-diversification can lead to difficulties in portfolio management, increase of bank securities search cost, securities small blocks cost, and purchase of reliable, profitable and marketable securities [2].

Thus, investment banking helps to boost the economy of the commercial section of the society and create more opportunities for all the levels of the society to raise capital and make profit. It also helps to strengthen the financial security of the society to resist possible recession.

Наук. керівн. Бутковська Н. О.

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