

Mobilization of Financial Resources by Joint-Stock Companies

Student's Name

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The subject of financial resources in joint-stock companies is one of the most varied and sophisticated matters, requiring proper assessment. Since the essence of joint-stock companies relies upon the functioning of equal parts commonly known as shares by shareholders, the sources of mobilization of financial resources are limited. As for long-term sources for generating finance, joint-stock companies ground equity shares, loans from commercial banks or financial institutions, and debentures. Conversely, short-term sources for the generation of financial resources include public deposits, trade credits, customer advances, and inter-corporate deposits. Nonetheless, the above sources for mobilizing finance vary considerably, which primarily depend on three independent factors, including the formation of management, corporate capital structure, and company equity.

Formation of Management

The first variable that should be thoroughly assessed is the formation of management in joint-stock companies. According to the research findings by Chirilov (2016), the process of forming a management system directly correlates with the basis of financial resources. More precisely, the economic and commercial activity of joint-stock companies, including the mobilization of financial resources, is heavily dependent on capital formation, which in turn focuses on an acquired management model (Chirilov, 2016). Although this particular notion mentions the management system indirectly, it still is evident that the generation of financial resources is determined primarily by the type of the organization. More precisely, a study by Xudaykulov (2014) relied upon identifying the ways through which management is formed in joint-stock companies. One of the most important findings of the research was the direct

correlation between incomes and profit generated by shareholders of joint-stock companies (Xudaykulov, 2014). Therefore, a proper managerial system depending on the source for mobilizing financial resources, including both long-term and short-term sources, primarily determines the efficiency of revenue generation for shareholders. Thus, the intertwined pattern between the management and the mobilization of financial resources stands out as a distinct feature within joint-stock companies.

Corporate Social Structure

The second factor that is the corporate capital structure should be reviewed in aggregate with long-term sources for the mobilization of financial resources. In particular, a research piece by Huong (2018) represents the notion of joint-stock companies as being profoundly impacted by macroeconomic fluctuations. More precisely, the study identified that the sample of 464 joint-stock companies in Vietnam demonstrated apparent ties between the macroeconomic changes and the capital structure of these business entities (Huong, 2017). In other words, joint-stock companies with a solid corporate capital structure are more likely to omit severe financial consequences in the context of a macroeconomic downturn. Thus, long-term sources for generating financial resources by joint-stock companies, including loans from commercial banks, preference shares, and equity shares, might be key to secure a joint-stock company from a macroeconomic downturn.

Company Equity

The last aspect, which should be analyzed properly, is the theoretical foundation of the equity within a joint-stock company, which relies upon the broader extent of a company's equity. More precisely, the above-mentioned report by Chirilov (2016) presents evidence that numerous

approaches to reaching company equity exist. As for joint-stock companies in this particular discourse, one may refer to five distinctive frameworks, including a company's assets, contributions of owners, accounting estimation, a company's debts to the owners, and self-financing sources (Chirilov, 2016). The crucial point is that a common feature among joint-stock companies takes place, which links the lesser scale of company equity regulation with more capacities for mobilizing financial resources. One of the most feasible explanations of this correlation is that reaching company equity requires the allocation of a certain amount of financial resources into such areas as accounting estimation and the contributions of the owners.

With regards to short-term sources for the mobilization of financial resources, including inter-corporate deposits, commercial banks, and public deposits, company equity naturally limits the extent of these sources. However, the situation drastically changes while reviewing the long-term sources for mobilizing financial resources. More precisely, equity itself is one of the sources of long-term financing among joint-stock companies, which also determines both economic and financial activities (Chirilov, 2016). Company equity among joint-stock companies also determines financial autonomy and increased profitability, which leads to the recommendation of utilizing it merely in the long-term perspective to mobilize financial resources.

Final Remarks

Joint-stock companies might mobilize and develop financial resources differently, ranging from equity shares and loans from financial institutions to customer advances and inter-corporate deposits. Thus, joint-stock companies are required to establish a reliable and competent management system in order to benefit both owners and shareholders. Similarly, the

establishment of proper management results in the application of a corporate capital structure, which provides considerable security from adverse macroeconomic implications. Company equity in joint-stock companies was shown as a beneficial aspect for the long-term mobilization of financial resources, while at the same time being adverse to short-term mobilization. Overall, a proper consideration of market conditions, the macroeconomic context, and management systems is mandatory to mobilize financial resources properly in joint-stock companies.

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