

## THE IMPACT OF THE FINANCIAL MANAGEMENT SYSTEM ON GLOBAL TRENDS IN ECONOMIC DEVELOPMENT

<sup>1</sup> Ammar Neamah Awda Al-Janabi, <sup>2</sup> Anas Mahmood Al-Hamadani

<sup>1,2</sup> Al- Nahrain University, Faculty of Information Engineering, Department of Systems Engineering

### Abstract

The paper investigates the impact of major global economic growth trends on the financial system as a management object, including globalization, financialization, fractionalization, intellectualization, and socialization. The main effects of this influence are the emergence of qualitatively new financial services, products, and instruments; changes in the mechanisms and volumes of financial services provision in conditions of increased financial risks, increased instability, and cyclical development of financial markets, threats of global financial crises; difficulty in achieving an equilibrium state of the financial system due to the imbalance of cash flows and the separability of the financial system from other sectors of the economy; and the need to reorient financial flows for sustainable development and the search for new criteria for investment and financial efficiency activities of economic subjects in the "nature-production-society" system. management into a real driver of the effectiveness of reproductive processes, introduction of new ideas and innovations.

A conclusion was made regarding the change in the conceptual foundations of the formation of a new paradigm of financial management in the 21st century. The dominance of the value paradigm as the foundation of value-oriented financial management; the priority of adaptive financial management of changes by cycle phases; recognition as the primary criterion for the effectiveness of maximizing operating cash flows; increasing the role of financial managers in resolving agency conflicts; transformation of information, among other things, are the main principles of the formation of the financial management system in the changing global environment.

**Keywords:** financial system, financial management, global megatrends, value-oriented financial management.

### Introduction

Actuality of theme. Deep transformations that have been dynamically taking place in the global environment since the beginning of the 21st century are forming new realities of economic existence and objectively determine the urgent need for a radical theoretical rethinking of traditional scientific paradigms of economic processes and theoretical and methodological substantiation of the modern content of financial management of domestic business in accordance with the threats and challenges of the third millennium. In the conditions of financial globalization and increased turbulence of the world financial markets, the question of scientific rethinking of the latest processes and phenomena in the system of the

established conceptual apparatus with the aim of developing a modern concept of financial management, adequate to the dynamics of modern changes in economic life, is gaining special relevance. As evidenced by the experience of many countries, including both developed market economies and transformational ones, the effectiveness of the financial system's influence on the socio-economic development of society largely depends on the perfection of financial management methods and their compliance with modern needs. In the plane of the above, the substantiation of the conceptual foundations of the modern financial management system, relevant to dynamic changes, uncertainty and instability of the new geo-economic space, acquires considerable importance.[1,2]

Formulation of the problem. To reveal the conceptual foundations of paradigmatic shifts in the financial management system that took place under the influence of threats and challenges of the global environment.

first of all, only in order to find out the evolutionary nature of the formation of the modern financial management system and the influence of certain factors on its formation. At the same time, we believe that in the conditions of dynamic socio-economic transformations of the new millennium, intensification of crisis phenomena and upheavals, it is time to review and expand the interpretation of the conceptual essence of paradigmatic shifts in the financial management system under the influence of global megatrends, because such an expansion of the horizons of the essence of this concept, in our opinion, will allow a deeper understanding of the content of modern vectors of the evolution of financial relations in the era of global changes. Analysis of publications on the problems of financial management in the field of business at the current stage of economic development revealed ambiguity in the interpretation of approaches to their evaluation and existing gaps in the justification of managerial financial decisions from the standpoint of taking into account the influence of modern global megatrends of economic development. At the same time, in the conditions of the emergence of new challenges of the global financial environment, real threats of the bifurcation state of the domestic economy, it is no longer possible to develop a strategy and tactics of financial management without taking into account the prerequisites for the formation of global megatrends, their course and impact on the multi-level system of financial relations. In the plane of the above, scientific developments regarding the justification of radical shifts in the paradigm of financial management under the influence of global megatrends are being updated. Accordingly, the purpose of the study is to study global megatrends in the context of their impact on the financial system as an object of management and on this basis substantiation of the conceptual foundations of financial management, taking into account the radical changes in its paradigm in the new conditions of the third millennium.[3]

Presentation of the main material. Transformational processes in the era of global changes that humanity is experiencing in the new millennium are due to the formation and development of the post-industrial economy, radical qualitative shifts in the attributes and value bases of business and social life under the influence of large-scale, long-term processes of world development. Such processes are called megatrends, since, unlike short-term trends of local action, they have a long-term nature, global consequences and a significant impact on the formation of new trajectories of the evolution of a significant range of economic relations, including in the paradigm financial management of the new millennium. The term "megatrends" first appeared in the book with the same name "Megatrends" by the American

futurist John Naisbitt, which was first published in 1982 [11]. Subsequently, this term began to be widely used in the economic literature to characterize the world's sustainable macroeconomic factors of development that affect business, economy, society, culture, and personal life of all inhabitants of the planet [4].

## 1- Literature review

Modern megatrends of socio-economic development are characterized by an extremely high speed of civilizational progress, significant tension and intensity, profound changes in worldview landmarks under the mutually determined influence of a set of factors. In the scientific discourse, there is no unified approach to distinguishing and essential content of the main megatrends, which characterize the current stage of economic development. Among the existing points of view on the interpretation of megatrends, we will single out some diametrical ones in order to expand the vision of the investigated problem. Thus, in particular, V. D. Bazilevich [1] refers to the main megatrends of economic development: 1) globalization; 2) financialization; 3) informatization; 4) intellectualization; 5) socialization. Wikipedia gives a slightly different configuration of the main world megatrends of economic development [13]: 1) globalization; 2) accelerating the pace of social development; 3) regionalization; 4) network space; 5) non-state factors; 6) polycentrization; 7) universalization of migration flows; 8) crisis of global leadership. V. M. Motrychenko, [10] consider megatrends in historical retrospect and in this plane single out the so-called megatrends of "yesterday of the day", which were relevant at the end of the last century and continue to be relevant in the XXI century (transformation of society from an industrial to an information type; development of Internet technologies and electronic commerce; outsourcing, franchising, leasing, etc. popular business models that significantly expanded the sphere influence; demographic explosion) and modern megatrends of economic development (post-industrialism - the transition from an industrial society to an information society; greening of the entire economic system based on managed development using high-tech; urbanization associated with improving the quality of life and many others). Despite different scientific approaches, the above-mentioned classifications have in common the consideration of the cardinal impact of globalization and informatization of society on the world economic system in the process of transition from industrial to post-industrial economy. At the same time, S. V. Kozmenko and M. V. Korneev, justifying the above-mentioned stage of the genesis of economic systems, rightly emphasize the need to take into account the existing connection between dynamic transformations in the structural organization of the economy with the strengthening of the development of the financial sector and the increase in the volatility of the movement of financial resources, on that most scientists do not always pay attention [6]. Thus, from the point of view of the problem of this study, the classification of modern megatrends of economic development proposed by V. D. Bazilevich [1] is more justified, since the megatrend of financialization, characterized by radical changes in the structure of the modern world economy in connection with the hypertrophied the dominance of the financial sector, directly caused by the rapid evolution of the financial sector and the increase in its importance, which cannot but affect new vectors of the development of the

financial management system. In Table 1, we disclosed the content of the main global megatrends and identified their influence on the financial system as an object of management.

Table No (01): The influence of the main megatrends of economic development on the financial system as an object of management

The main megatrends	Essential signs	Influence on the financial system as an object of management
Globalization	Formation of a new geo-economic space controlled by transnational capital	The transformation of the financial sphere into a global one under the influence of communication and computer technologies, the appearance of qualitatively new services, financial products and financial instruments, actualization of global coordination of financial policies of various states as a condition for the stability of the global financial system
Financialization	Cardinal shifts in the structure of the modern world economy are associated with the hypertrophied dominance of the financial sector.	Changes in the mechanisms and volumes of financial services provision, increased financial risks, increased instability and cyclical development of financial markets, the threat of global financial crises, the difficulty in achieving an equilibrium state of the financial system due to the imbalance of money flows and the separation of the money supply from real security.
Informatization	Large-scale use of information and computer technologies in all spheres of life, transition to an information society.	Consolidation of space and reduction of time spent on conducting international financial transactions, "virtualization" of financial transactions tools and an objective increase in the need for protection against cyber threats.
Intellectualization	Radical increase in the role of human capital as a driving force of socio-economic development thanks to the realization of its creative potential.	The high quality of management in general and financial management, in particular, is a guarantee of the effectiveness of reproduction processes, the introduction of new ideas and innovations.
Socialization	Subordination of economic processes to the interests of development	Updating the search for new criteria for the effectiveness of investment and financial activities of economic entities in the

	person and society as a whole.	"nature-production-society" system in the conditions limitations of all types of resources, taking into account the need to combine the economic, humanistic and ecological components
--	--------------------------------	---

To study the impact of the above-mentioned factors on the modern financial management system, the evolutionary nature of its formation should be considered. The main stages of the formation of scientific approaches in the development of general management and the influence of well-known scientific schools on development of financial management is systematized by us in Table 2.

The scientific approaches presented in the table consider the management structure as a subject of study and are the most developed in the economic literature. At the same time, recently new approaches to the management of complex systems have appeared: optimization, synergistic, interdisciplinary, reflexive, "people-centered" and others. As the analysis shows, the evolution of the development of financial management and its complications its tasks in the process of civilizational progress is largely determined by changes in strategic resources necessary for the development of the economy and the satisfaction of basic social needs in the process of the genesis of economic systems. Thus, in particular, T. V. Melnyk refers to raw materials as such strategic resources in the pre-industrial economy, financial capital in the industrial economy, and knowledge in the post-industrial economy [9]. At the same time, due to the fact that the need for financial management arose already in the industrial economy, its evolution took place much faster, and the main tasks of management related to the rational formation, distribution and use of financial resources, taking into account the priorities of a specific historical stage. Thus, in particular, the American scientist Brigham E. F. notes [3] that already at the initial stages of the formation of financial management in the USA at the end of the 19th century, under the influence of the rapid development of commodity markets and the need to concentrate significant amounts of capital for the real sector of the economy, the main subject the study of financial management has become the legal aspects of the merger of various companies, the formation of new firms, the emission of various securities for the purpose of attracting and increasing capital. In parallel with the development of financial markets and the increase in the instability of the economic system during the crisis of the 1930s (20th century), the subject of financial management becomes more complicated due to the development of the principles of anti-crisis financial management of companies, and in the post-crisis period (50-60s of the 20th century), the emphasis of financial management accordingly shifts to the adoption optimal financial decisions regarding the formation of the capital structure and substantiation of rational directions for its placement with the help of optimization models. Thus during the past century, financial management has been constantly developing, which has manifested itself in expansion its subject, improvement of financial methods, complication of tools [5, 12, 13].

Table No(02): Systematization of scientific approaches in the development of general management and their influence on the formation of the conceptual apparatus of financial management

The name of the scientific approach	The essence of the approach	Schools of management that followed this approach and their main representatives	Influence on the development of financial management
Traditional approach	Such components of management as work, personnel, administration, motivation, system company management. The main subject of research labor efficiency at lower management levels stands out.	Classical (traditional) school of management. Representatives: F. Taylor, H. Emerson, H. Ford, S. Thompson, L. Allen, M. Follett, R. Shelton and others.	The foundations have been laid for the rationalization of business processes and increasing the effectiveness of the interaction of financial services employees
Functional (process) approach	Management is considered as a process that includes: goal setting; planning; organizational work; motivation; CONTROL. The main principles and functions of management are studied.	Administratively functional school of management. Representatives: A. Fayol, J. Mooney, A. Reilly, H. Koontz, S. O'Donnell, C. Bernard and others.	The foundations of functional financial management have been laid
A systematic approach	The organization is considered as a system that has input, output, feedback and which is influenced by external factors	Classical (traditional) school of management. Representatives: F. Taylor, H. Emerson, H. Ford, S. Thompson, L. Allen, M. Follett, R. Shelton and others.	The prerequisites for understanding financial management as a system of rational financial management have been created
Situational approach	Management methods are chosen depending on the specific situation, taking into account the influence of the most important situational factors	Classical (traditional) school of management. Representatives: F. Taylor, H. Emerson, H. Ford, S.	The foundations have been laid for the rationalization of business processes and increasing the effectiveness of the interaction of

		Thompson, L. Allen, M. Follett, R. Shelton and others.	financial services employees
--	--	---	---------------------------------

At the same time, the new realities of economic life since the beginning of the 21st century cause large-scale transformations of the financial management system, which actualizes the rethinking of its conceptual foundations in the plane of paradigmatic shifts under the influence of global megatrends indicated in Table 1. In order to develop a modern concept of financial management, adequate dynamics of modern changes in economic processes. The study of this issue allows us to come to the conclusion that as the global financial markets become more complicated, the turbulence of economic processes increases, completely different priorities appear, which form a complex of financial management tasks under the influence of the above-mentioned global megatrends (Fig. 1). At the same time, in the conditions of increasing crisis phenomena in the economy, when it becomes increasingly difficult to maintain financial stability, the role of equity capital and long-term sources of financing of economic entities is especially growing. At the same time, the main resulting indicator of the efficiency of the use of invested capital is not so much net profit as operating cash flow, which objectively determines the need for its synchronization with capital needs in each specific period. Similarly, it is advisable to use operating cash flow and determination of all financial coefficients to substantiate managerial financial decisions.

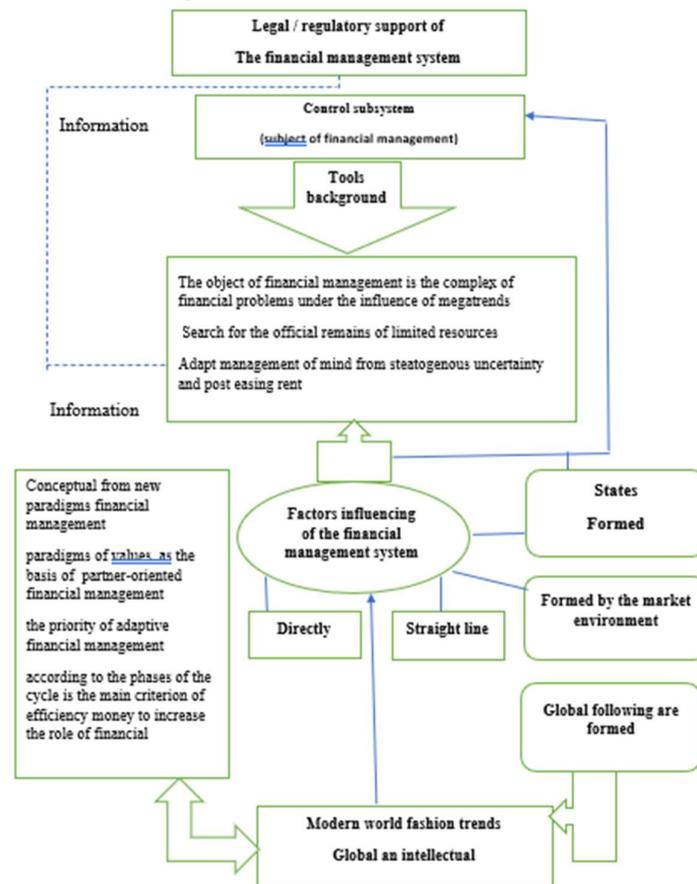


Fig. 1. Conceptualization of a new paradigm of financial management under the influence of global megatrends

At the same time, it is worth emphasizing that after the adoption of new international standards of auditing and financial ethics and increased transparency of global financial markets, financial managers have a real opportunity to manage the value of the firm by selecting individual drivers of increasing market value. At the same time, the market value of the firm increasingly depends on the value of its products, services, and financial instruments for consumers. In this in this context, the role of behavioral (behavioral) theories as a tool for analyzing financial markets, taking into account the peculiarities of the mentality and behavior of its participants, is growing.[7,9]

## **2- Conclusions :**

The main world global megatrends of economic development (globalization, financialization, informatization, intellectualization, and socialization) cause certain changes in the financial system as an object of management, which is important to consider when developing conceptual the principles of financial management in the era of global changes: the emergence of qualitatively new services, financial products and financial instruments; changing the mechanisms and volumes of financial services provision in conditions of increased financial risks, increased instability and cyclical development of financial markets, threats of global financial crises; difficulty in achieving an equilibrium state of the financial system due to the imbalance of cash flows and the separation of the money supply from real security; consolidation of space and reduction of time spent on conducting international financial transactions, "virtualization" of financial instruments and objectively increasing the need for protection against cyber threats; transformation of financial management into a real one the driver of the efficiency of reproduction processes, the introduction of new ideas and innovations; the need to reorient financial flows to sustainable development and search for new criteria for the efficiency of investment and financial activities of economic entities in the "natural production-society" system.

Taking into account the impact of the above-mentioned megatrends, the main attention of financial managers of companies should be devoted to solving a complex of management tasks, which has a new meaningful content:

- search for ways of effective use of limited financial resources and appropriate substantiation of directions for investing funds in assets with the highest income at a minimum level of risk;
- management of the firm's strategic liquidity through rational budgeting of cash flows;
- management of the value of the firm through the growth of its value in the long-term period and the identification of alternative opportunities for the formation and distribution of financial resources, which can positively affect the growth of the total value of capital;
- adaptive risk management to conditions of volatility, heterogeneity, uncertainty and non-linearity of the development of economic processes;
- behavioral financial management based on knowledge of the psychology of the behavior of consumers of financial instruments and services.

At the same time, in the new dynamic conditions of the development of global financial markets, when the main strategic resource becomes not so much financial capital, but the

knowledge and experience of specific managers regarding the use of innovative financial mechanisms, tools, technologies, business processes, the financial manager turns into a key figure and becomes an integrator of the value (cost) of the company, and the dominant paradigm of value determines the need for a new modern direction of financial management - value-oriented (or value-oriented).

At the same time, the financial manager, due to the existing divergence of his interests as an employee (even if he is part of the top management of the company) with the interests of the owners, becomes an active participant in agency conflicts, and therefore the effectiveness of financial management in the plane of value-oriented management directly depends on the ability of managers to avoid confrontation and harmonize the interests of all participants in financial transactions. In addition, under conditions of amplification turbulence of economic processes, anti-crisis financial management should be integrated into the company's security system as an integral mechanism for ensuring sustainable development.

## Reference

- 1- Eugene Brigham (1997). *Fundamentals of Financial Management*. Holt Rinehart & Winston.
- 2- John Naisbitt (1988). *Megatrends: Ten New Directions Transforming Our Lives*. Grand Central Publishing.
- 3- Global Megatrends. Project Management Institute. 2022. Available online: <https://www.pmi.org/learning/thought-leadership/megatrends> .
- 4- Future of Work Trends in 2022: The New Era of humanity. Available online: <https://www.kornferry.com/insights/featured-topics/future-of-work/2022-future-of-work-trends> .
- 5- Davenport, T.H.; Prusak, L. *Working Knowledge: How Organizations Manage what They Know*; Harvard Business Press: Boston, MA, USA, 1998. [Google Scholar]
- 6- Ali, M.; Hoque, M.; Alam, K. An empirical investigation of the relationship between e-government development and the digital economy: The case of Asian countries. *J. Knowl. Manag.* 2018, 22, 1176–1200. [Google Scholar] .
- 7- Chung, H.T.T.; Le Hoang, T.; Tam, P.T. Solutions for improving human resource management at commercial banks based on the digital economy. *J. Hunan Univ. Nat. Sci.* 2022, 49, 429–438. [Google Scholar] .
- 8- Cao, T. Examining the Impact of Advanced Digital Economy on Employment in China Under COVID-19. In *Proceedings of the 3rd International Conference on Economic Management and Cultural Industry (ICEMCI 2021)*, Guangzhou, China, 22–24 October 2021; Atlantis Press: Berlin/Heidelberg, Germany, 2021; pp. 1649–1655. [Google Scholar]
- 9- IMF. *Asia's Digital Revolution*. International Monetary Funds, 2018. Available online: <https://www.imf.org/Publications/fandd/issues/2018/09/asia-digital-revolution-sedik> .
- 10- The World Bank. *Digital Innovation in East Asia*. The World Bank, 2020. Available online: <https://openknowledge.worldbank.org/bitstream/handle/10986/33260/Digital-Innovation-in-East-Asia>.
- 11- Zhang, J.; Zhao, W.; Cheng, B.; Li, A.; Wang, Y.; Yang, N.; Tian, Y. The Impact of Digital Economy on the Economic Growth and the Development Strategies in the post-

- COVID-19 Era: Evidence from Countries Along the “Belt and Road”. *Front. Public Health* 2022, 10, 856142. [Google Scholar] .
- 12- Qureshi, Z. How Digital Transformation is Driving Economic Change. 2022. Available online: <https://www.brookings.edu/blog/up-front/2022/01/18/how-digital-transformation-is-driving-economic-change>.
- 13- Sassin, W. Globalisation and digitisation—The exponential spread of infectious information and its possible containment. *Beac. J. Stud. Ideol. Ment. Dimens.* 2020, 3, 010510201. [Google Scholar] .