



DISCUSSIONS ON FINANCIAL-INDUSTRIAL GROUP: THE ORIGIN AND CONCEPTUALIZATION, AS A GROUP OF PROFITABLE LEGAL ENTITIES

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Abstract. *The financial-industrial group is a group of enterprises that has the same decision pole and is created to achieve a relevant division of the economy in order to dynamically analyze it.*

Having been active for several decades, however, the discussions on the evolution and importance of these groups in entrepreneurial activity have not been extinguished.

Including, the topicality of the approach of the financial-industrial group is due to the fact that modern economic relations are becoming more and more complicated and involve, at the same time, the intensive development of business law fluctuations, predetermining the need for scientific research aspects of conceptualizing this group, differentiating it from other groups of similar for-profit legal entities.

Keywords: *Origin, evolution, Financial-industrial group, conceptualization.*

1. Introduction

In order to diversify and improve production, reduce costs and increase profits, entrepreneurs were associated with different business groups. *The financial-industrial group* has a particular role to play, based on both financial and industrial capital, which contributes substantially to the formation of a strong economic entity, which ultimately leads to the fruitful economic development of the State.

Financial-industrial group is a number of companies, united by a joint management structure and a source of credit, in which a financial-banking institution (bank) usually plays a role. The companies included in this group do not necessarily represent the interests of any particular industry, they can carry out a variety of market activities, producing various types of goods and investments are made from a single source [Carpenaru S., 2016].

The Doctorate Turceac A.A., Bariutin L.S. and Bersadscaia L.S. claim that *the financial-industrial group* is an associative form between industrial enterprises and financial institutions based on economic and financial interdependence relations. This group can function as a group of economic subjects (usually legal persons), or it acts as a mother and daughter company, or it operates on the basis of the combination of assets for the purpose of technological or economic integration [Turchak A., Baryutin L., Bershadskaya T., 1996].

The Movsesian scientist A. G. characterizes *financial-industrial group* as a benevolent union of organizations active in the field of production of goods and services, banking or other financial-lending institutions, state and municipal enterprises, investment companies, private pension funds, insurance organizations and other types of enterprises that ensure the investment and functional process of the group [Movsesyan A., 1997].



The researcher Lutoschin S.A. considers that *financial-industrial groups* are large unions made up of various companies, as well as financial institutions directed both toward making the production process more efficient and improving the means of production by interacting financial and industrial capital and attracting knowledge from the scientific and technical fields [Lutoshkin S., 2017].

2. Origin and evolution

However, what was the need for the industrialists and financiers to be merged into such a group? We believe that their association is conditional on the stringent requirements for the development and growth of business in the future, businesses which have reached the maximum ever-evolving point, and its extension is not possible without serious changes.

Therefore, in order to analyze the prospects and future development of financial-industrial groups, we must initially understand the cause and conditions of their emergence, in terms of research into their origin and development.

Distinguish *the following historical stages in the genesis and progress of financial-industrial groups*:

1. Appearance of the first groups, the end of the XIX-th century, the first half of the XX –th century. It is the first stage in the formation of industrial-financial unions in the forms of *trust* and *trade union*. This phase, in the history of the world economy, is marked by the deep monopolization of industry. Thus, trusts and trade unions were the main form of association of the monopolies.

In parallel, the anti-monopoly and anti-trust laws adopted by the States of the world (e.g. *Serman's 1890 antitrust law* in the USA) had an imposing influence on mechanisms to reshape and modify the organizational forms of enterprise groups. This has helped to adapt, train and correct all types of existing large industrial groups, and ultimately to influence the way in which current legislation regulating the liquidation of trusts and trade unions is by passed.

2. Progress and development of enterprise groups, 1950s-1970s. After the end of the Second World War, a new stage in the development and formation of financial-industrial groups begins. The main catalyst being the unstable situation of the global economy, caused by huge destruction, the depletion of the material and financial resources of European countries and their settlements.

At the same time, the spheres of political and economic influence have also changed. For example, Germany has lost resource-rich territories under its protectorate and the UK has become one of the largest debtors with fabulous debts to the USA. For this reason, in the 50s of the XX-th century. The process of unification of business in various areas of the producing economy began. As a result, in the 60s of the XX-th century, the financial-industrial group becomes the main form of organization of monopolistic unions: around financial-banking institutions or holding companies joined enterprises with purely formalistic economic independence [Timoshina T., 2004].

An important role in this process was the scientific and technical revolution, which influenced the progress and development of financial and industrial groups. These, in comparison with the first half of the XX-th century. Little by little, they also started to control the field of information and telecommunications technologies,



a process that lasted until the early '80 of the XX-th century. The merger of different companies into groups has made it possible to significantly increase industrial production in European countries and the USA, leading to their economic dominance globally.

3. Advising the positions of enterprise groups on the market, 1980-2010. The early '80s of the XX-th century starts the beginning of a new stage in the development and consolidation of the positions of financial-industrial groups, a factor facilitated by the process of acquiring shares in various joint-stock companies that were of economic interest to large financial groups.

Thus, financial-industrial groups became owners of control packages in subordinate companies, turning over time into holding companies. This process has been influenced by the decline in industrial production in Western European countries and in the USA, which has also led to the diversification of financial and industrial groups, which have activated their actions to procure the shares of companies from other countries. The analyzed stage is also noted by the massive emergence of financial-industrial groups in the sphere of service provision: insurance companies, consulting structures (*consulting*) etc.

3. Discussion and materials

It should be emphasized that these forms of enterprise groups have been recommended, both theoretically and practically, as being efficient in business in the world economy. In the early 2000, about a quarter (25%) of all world production was under the control of some 600 financial-industrial groups [Utkin E., 1998].

This indicator gives us the right to conclude that financial-industrial groups have become an integral part of the major economic, political and social structures in the States, with the possibility of influencing not only the economy, but also the policy of States or unions of States.

The reasons for the emergence of financial-industrial groups, analyzed above, were also described by economist *Rudolf Hilferding* in the monograph of *Financial capital*. In the opinion of this author, the tasks of the process of merging *bank capital* and an *industrial capital* in **financial capital** are [Hilferding R., 1969]:

- 1) stimulating transformations in the economy;
- 2) improving the investment climate;
- 3) development of competitiveness of domestic goods;
- 4) acceleration of technical-scientific progress.

Analysis of the methodological bases of **financial-industrial capital** allows the identification of the content, in which both are present *subjects*, *object*, and *reports* of these [Orekhov S., Seleznev V., 2005].

The subjects of financial and industrial capital are financial and credit institutions, insurance companies, investment and pension funds, and production structures such as industrial, transport, trade, etc.

The object of financial-industrial capital, as seen in general, is the financial means, their training, their distribution and their use in accordance with the intended purposes. At the same time, these financial means represent a potential future of all factors of production, such as: labor, capital, land, etc.



4. Results

With financial means can be procured the material factors necessary for production (buildings, construction, machinery, land, etc.). They can be used to acquire the driving forces of production such as: labor, by paying wages, training and recycling, raising the qualification of employees; at the same time, they can be spent on the foundation of new financial-banking institutions, reorganization of enterprises, organization of new financial-industrial objects. This allows to identify financial-industrial capital as an integral system of self-production, which being relatively isolated from other economic structures, is able to found its own enterprises.

5. Conclusion

The nature of *financial-industrial capital* ratios is characterized by a process of integration, of forming a single group with various interlinkages between the subjects on the basis of this objective.

If, up to the formation of financial-industrial capital, each subject had its sphere of activity (banking institutions - circulation of financial resources, enterprises - production or other types of enterprise, etc.), had characteristic functions, tasks and objectives, had distinct forms of income, when the financial-industrial capital formation process combines spheres of activity (financial and banking institutions are part of production and other entrepreneurial activities, new entrepreneurial structures are being created, businesses set up financial and banking institutions, etc.) through various types of entrepreneurial activity (trust operations, system of participation, etc.), organic interpenetration of functions, purposes of their activity, but most importantly (accentuates), takes place the accumulation and consolidation of forms of income that are integrated into a whole.

6. Conclusions

Summarizing the above, we can conclude that the activity of the financial-industrial group represents the activity of its members, which is carried out in accordance with the contract for the establishment of the financial-industrial group and the project of its organization, being oriented towards obtaining profits.

The benefit of the financial-industrial group represents the consolidated profit of the group members. When drawing up the consolidated balance sheet, the benefit is reflected in the balance sheet of the central company. The manner and directions of spending the profit or covering the losses shall be ascertained by the decision of the board of directors of the financial-industrial group, unless the incorporation contract provides otherwise.

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