

Information Component of Corporations' Financial Environment

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Abstract: *The article is devoted to the substantiation of the information component of corporations' financial environment. It has been established that corporate information can be viewed as public information about activities carried out by a corporation, its securities and related transactions. It has been determined that corporate information can be periodical, if the matter concerns a company's ordinary activities, and special. It has been proved that the financial environment of a corporation can consist of the external direct financial environment, which includes a system of conditions and factors that impact a corporation, and the external indirect financial environment, which characterizes a system of conditions and factors that influence a corporation in the course of its mutual relations with counterparties under financial transactions. It has been established that the distribution of corporate information, especially through mass media, plays an important role.*

Index Terms: *information, corporation, finance, external environment, globalization, economy, entrepreneurship.*

I. INTRODUCTION

Every corporation operates in a certain environment. Since the earliest stage of corporations, their interaction with the external environment has been perceived as objective. To be more precise, it is the external environment that has been considered as something given, something a corporation cannot influence substantially. However, it has been gradually understood that the peculiar opacity of a corporation does not give any possibilities to take into account all advantages and threats that emerge externally. At the modern stage of the financial science's development, such an approach has been proactively transforming taking into account the special role played by a corporation in the conditions of globalization and changes inherent to the information economy itself. However, the analysis of a corporation's interaction with the external environment is a relatively new area of economics and its inception is quite justifiably attributed to the position,

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according to which a corporation is considered an open system that is directed to the external environment.

II. LITERATURE REVIEW

Problems related to the information aspects of corporations' financial environment were studied in the works by Yu.Yu. Dashchenko [1], N.A. Zhuravleva [2], A.E. Zubarev [3], M.G. Karelina [4], Yu.S. Kolodey [5], D.E. Sorokin [6], etc. However, despite a considerable number of works on the problem under review, there are some unsettled problems concerning the determination of the subject matter of the information component category, as well as methods of its use in the corporate environment. The external financial environment of a corporation is extremely dynamic, and for this reason, all its current characteristics become obsolete fairly quickly and require constant improvement. In addition, due to the formation of quantitative changes that characterize the information economy, a question arises about the role of information in these processes, the way information changes principles of interaction between a corporation and the external environment.

III. METHODS

A. General Description

The theoretical and methodological base of the research includes the abstract logical method, techniques of induction, deduction, analysis, synthesis and systemization used in order to substantiate the approach to the identification of the information component, the economic legal method used to study peculiarities of corporate environment management, as well as the simplex method used to study the influence of factors on the management of corporations in difficult economic conditions. The information base of the article includes statistical data from public authorities, legislative and statutory documents that govern the information environment in corporate conditions and results of research [7-9].

B. Algorithm

In the course of the research, we plan to improve economic approaches to the management of corporations' information environment, to develop measures aimed to coordinate activities carried out by their major structures, to substantiate the statute on the management of corporations' sustainable

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development under various economic conditions.

C. Process flow diagram

It is planned to carry out study according to the following scheme, in which the information component of corporations'

financial environment are considered as a dynamic process arising from a set of factors of the economic environment (Fig. 1).

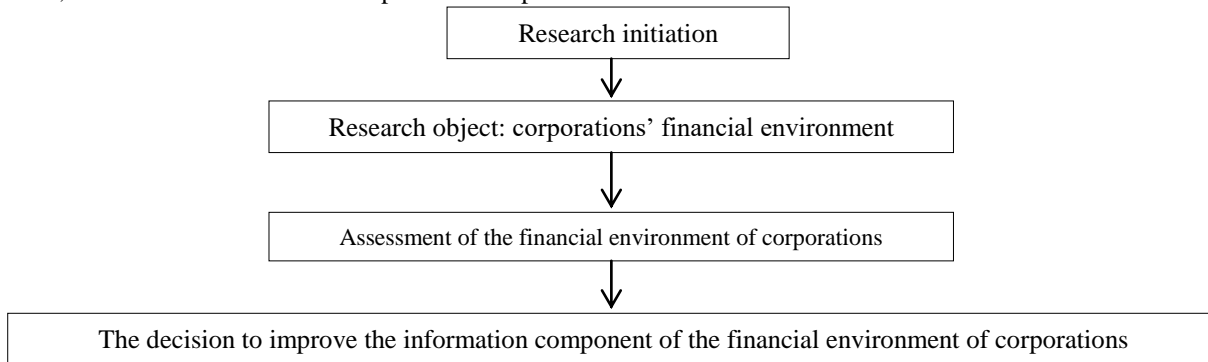


Fig. 1: Flow diagram reflecting research on information component of corporations' financial environment

IV. RESULTS AND DISCUSSION

To substantiate our viewpoint, it can be noted that it is necessary to focus on relations that arise between a corporation and external economic agents. The main point is an increasingly wide circle of financial relations. Above all, there are relations between a corporation's founders and shareholders in connection with the initial public offering and capital attraction, the payout of dividend in the course of profit distribution, profit re-investment, and the potential buyout of shares on the secondary market. A corporation also deals with managers and employees with the relevant relations executed via employment contracts. Quite often this group of economic agents also holds a corporation's shares, which were bought on the market or received in the course of various bonus programs in corporations. It should be noted that the financial relations among managers, shareholders and the corporation are characterized by a high degree of conflicts. A special kind of financial relations is the relations between the state and a corporation that are particularly stipulated by the following factors: a corporation's many financial solutions need implementation from the viewpoint of the state, e.g. the registration of a securities issue, the receipt of a license to carry out separate kinds of economic activities; corporations are major taxpayers and payers of diverse amounts to centralized funds; the state pays various forms of financial subsidies to corporations, for instance, the state directly supports separate forms of activities; a corporation can provide certain goods or services to the public sector; the state can also be the owner of a corporation if it holds a certain block of shares. Practice has shown that economic relations with counterparties arise in the course of activities carried out in goods and services markets. A corporation is also an active participant of financial and financial services markets, which help it satisfy own capital needs, invest in various instruments and can manage diverse financial risks. In addition, a corporation is an active consumer of financial services, but it can also be a provider of services. Consequently, this stipulates its relations with participants of the financial market and the financial services market. However, globalization is an objective and dynamic phenomenon, the impact of which on the economic systems of countries tends to grow year after year. For this reason, the

external financial environment of any corporation gradually becomes global. At the modern stage, in the information economy, it is hard to imagine a corporation that is completely isolated from the external environment. The deliberate exploitation of own opacity is primarily typical for corporations that operate in institutionally imperfect national markets. The current operation of financial relations subjects and the planning of their mid- and long-term perspective suggest taking into account numerous events that are various by nature and can influence their financial performance both positively and negatively. Such events can be called "extreme" because they are designed to characterize rare probable events. For this reason, the role of external shocks in economic (including financial) processes influences various economic concepts accordingly. In these conditions, all cycle theories can be divided into internal, theories, which explain fluctuations in business activities by internal reasons of the economic system itself, and external theories that explain cyclical fluctuations by external reasons. External cycle theories are usually considered by those who believe that the primary reason for fluctuations is external shocks to the economic system, e.g. the spread of new technology and changes in energy prices. All this leads to new risks. In a broad sense, it is a question of risks, i.e. events, the occurrence of which is probable and with regard to which insurance agreements are usually signed or other risk management instruments are used. With certain provisions, the above sources of risk also characterize the elements of the external financial environment for modern corporations. However, the external environment characterizes conditions and factors of a corporation's financial relations with other economic agents. It is clear that such characterization is carried out with the use of information. It is therefore recommended to pay attention to the information component of the financial environment, in which corporations operate. The extrapolation of information, its characteristics and requirements to them allow us to state the following: information characterizes a corporation's external financial environment; information can help describe and determine a degree of dynamics of the external

financial environment; information makes it possible to determine the probable nature of conditions and factors of the external environment as an integrated system; a corporation's financial relations with any other economic agent are based on information, cause the emergence of information, its processing and subsequent use. Consequently, information is an important resource of a corporation's socio-economic and technological development. Moreover, information is currently determined as a corporation's major value and gains the status of a dominant. Information is valuable because it promotes the achievement of a corporation's goal. The same information has various value if considered from the viewpoint of its use for a corporation's various purposes. Information communication technologies help achieve consistency in the operation of various spheres and industries of the economy, provide prompt interaction among management structures at various levels, diverse information services are provided to the public in large amounts, the information environment is created for large-scale entrepreneurial activities. Technical and technological means are constantly improved to transmit information and regulate information flows. The matter concerns computer technologies, means of telecommunication, software, and electronic information technologies. One of the main areas for the formation of corporations is the use of high-speed information communication technologies as an essential component of successfully developing corporations. All this violated opacity of a corporation, as a result of which new ideas and intellectual developments became widespread virtually immediately. The competitive struggle prompted corporations to form their information space, in which all external requirements and development possibilities are fixed. It should be noted that the expanding scope of information, which needs to be processed, create a lot of problems. Contradictions in various sources make it impossible to get an objective view. At the same time, information is an undoubted benefit only when there is a little information. If there is a lot of information, it becomes a negative factor, which distracts attention from substantial matters. Furthermore, in terms of the scope. economic information is divided into sufficient, excessive and

insufficient. For this reason, sufficient information, which is quite specific in terms of content, is needed to resolve problems, while excessive information contains superfluous data that are either not used at all when resolving specific problems or execute supervisory overlapping functions in a corporation. It becomes difficult to make reasonable decisions on the management of corporate finance due to the expanding scope of excessive information. With information technologies expanding, it becomes simpler and cheaper to get information, and for this reason, the main objective is high-quality information processing. Changes in the environment, in which corporations operate, and the increasing role of a corporation result in adequate transformations in the management of corporate strategies. Particularly, this leads to the formation of corporate information systems as a separate specific kind of activity at a corporate level that arose as a result of the transformation of information into an important financial and economic resource. Practice has shown that the external financial environment constitutes a dynamic integrated system that characterizes globally the determinants of the probable nature, in which a corporation's financial relations with other economic agents are implemented. At the same time, to the external financial environment, one can refer to economic, political, social, legal and technological factors (Figure 2). While continuing the research of this issue, it can be noted that not only the essence of the financial environment but also various classification signs are considered in separate sources. In these conditions, it is essential to highlight the micro environment of entrepreneurship, which comprises the nearest circle of a corporation, i.e. the micro level, and the macro environment, which consists of factors at the macro level. The macro environment is a much wider circle that impacts the market environment as a whole and consists of natural, technical, political, economic, demographic and cultural factors. The micro environment is characterized by subjects that are directly related to a corporation and to the possibilities of its management aimed to generate income. It can comprise suppliers, intermediaries, buyers, competitors, and contact audiences.

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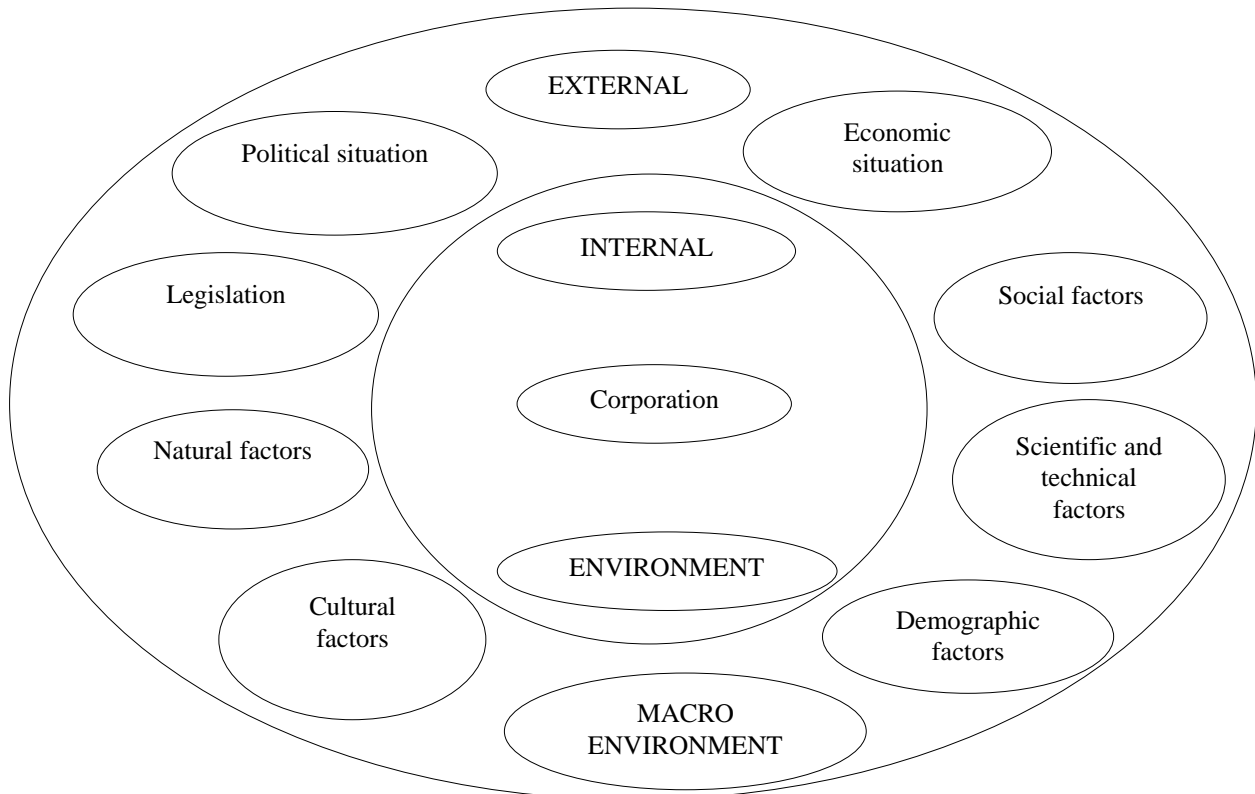


Fig. 2: Financial environment, in which a modern corporation operates

The following can be distinguished in a corporation's financial environment: the external financial environment of the indirect impact that consists of a system of conditions and factors, which influence a corporation, e.g. state financial policy; the external financial environment of the direct influence, which characterizes a system of conditions and factors that influence an enterprise in the course of its interaction with counterparties under financial transactions and transactions, for instance, relations with buyers and suppliers, banks and insurance companies; the internal financial environment that constitutes a system of conditions and factors that determine the selection of an organization and forms of an enterprise's financial activities in order to achieve the best results that are under direct control of executives and specialists from a corporation's financial divisions. We think that the detachment of any additional components in the financial environment, as a matter of fact, only makes research more complicated. Moreover, even clearer boundaries between a corporation's internal and external environment can disappear in the conditions of the information economy. Consequently, based on the above components of the environment, in which a corporation operates, the question objectively arises about the role of information in the operation of a corporation. The reliability of the described approaches is confirmed by the fact that corporate activities in the conditions of globalization in the information economy take new forms that give rise to additional instruments not only of macroeconomic influence but also of internal corporate management. Global trends of internationalization in capital and production flows, liberalization of external trade and the concentration of capital have turned corporate activities into the epicenter of global economic development.

As a result, the environment, in which companies operate, produces a substantial impact on the performance of modern corporations. While initial studies [10-12] of this problem were beyond the state's dominant interests, the rising influence of corporations prompted the revision of such approach, i.e. in the certain circumstances, a corporation's interests can even dominate the interests of the state. This specified problem is one of the most complicated in the theory and practice of corporate finance. It is necessary to emphasize that a corporation can exercise all its advantages only if the state pursues the relevant policy aimed to create a financial environment, including its information component. In addition, modern corporations are active members of the information circulation system. The amount of data that needs to be processed to make and implement managerial decisions continues to grow steadily. This problem is especially relevant for such major institutions as corporations. A corporation's management cannot work successfully without receiving actual information on the state of affairs on a regular basis. For this purpose, it is necessary to develop an efficient system of information flows. The transformation of information into an economic resource raises the question about its efficient use. This situation should be assessed not only from the viewpoint of information asymmetry but also from the viewpoint of excessive information. It is clear that during this period, the information paradigm of economics is in its inception. Consequently, there are no unified scientific approaches to the solution of important problems related to the comparative characteristic of corporate information and the efficiency of its use for corporate management.

V. CONCLUSION

In conclusion, it can be noted that corporate information can be considered as public information about a corporation's activities, securities and related transactions. Often disclosure of information is required legislatively. Moreover, corporate information can be periodical, if the matter concerns a company's ordinary operations, and special. As periodical information, we understand referred annual, semiannual and quarterly reports. As a rule, they consist of financial statements and explanatory notes. The external financial environment of indirect influence can be distinguished within a corporation's financial environment, which comprises a system of conditions and factors that influence a corporation, e.g. state financial policy, and the external financial environment of direct influence, which characterizes a system of conditions and factors influencing an enterprise in the course of its interaction with counterparties under financial transactions. The distribution of corporate information plays an important role. In this case, some corporations can use mass media. As a rule, such information concerns solely the corporation (news, services, objectives, and achievements), although there can be data on industry and general market conditions. Each distribution channel of corporate information is characterized by certain features.

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