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STRATEGIC FOR INTERNATIONAL FINANCE IN DEVELOPMENT OF NATION

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Abstract: *International Finance is an important part of financial economics. It mainly discusses the issues related with monetary interactions of at least two or more countries. International finance is concerned with subjects such as exchange rates of currencies, monetary systems of the world, foreign direct investment (FDI), and other important issues associated with international financial management. Like international trade and business, international finance exists due to the fact that economic activities of businesses, governments, and organizations get affected by the existence of nations. It is a known fact that countries often borrow and lend from each other. In such trades, many countries use their own currencies. Therefore, we must understand how the currencies compare with each other. Moreover, we should also have a good understanding of how these goods are paid for and what is the determining factor of the prices that the currencies trade at. International trade is one of the most important factors of growth and prosperity of participating economies. So this study conduct how to improve international finance in developing country.*

Key Words: *international finance, foreign direct investment, exchange rate, capital market, monetary system.*

1. INTRODUCTION:-

International financial management of an organization is a complex process, involving its own methods and procedures. It is made even more complex because of the globalization that is making the worlds financial and commodity markets more and more integrated. This process of integration is both across countries as well as markets. Not only the markets but even the organizations are becoming international in their operations and approaches. International Finance is an important part of financial economics. It mainly discusses the issues related with monetary interactions of at least two or more countries. International finance is concerned with subjects such as exchange rates of currencies, monetary systems of the world, foreign direct investment (FDI), and other important issues associated with international financial management. Like international trade and business, international finance exists due to the fact that economic activities of businesses, governments, and organizations get affected by the existence of nations. It is a known fact that countries often borrow and lend from each other. In such trades, many countries use their own currencies. Therefore, we must understand how the currencies compare with each other. Moreover, we should also have a good understanding of how these goods are paid for and what is the determining factor of the prices that the currencies trade at. International trade is one of the most important factors of growth and prosperity of participating economies. Its importance has got magnified many times due to globalization. Moreover, the resurgence of the US from being the biggest international creditor to become the largest international debtor is an important issue. These issues are a part of international macroeconomics, which is popularly known as international finance.

2. OBJECTIVES OF STUDY:

- To study on internatonal finance in india.
- To study Sources of international finance .
- To study on how apply for strategics in development of nation.

3. IMPORTANCE OF INTERNATIONAL FINANCE:

International finance plays a critical role in international trade and inter-economy exchange of goods and services. It is important for a number of reasons, the most notable ones are listed here −

- International finance is an important tool to find the exchange rates, compare inflation rates, get an idea about investing in international debt securities, ascertain the economic status of other countries and judge the foreign markets.
- Exchange rates are very important in international finance, as they let us determine the relative values of currencies. International finance helps in calculating these rates.
- Various economic factors help in making international investment decisions. Economic factors of economies help in determining whether or not investors' money is safe with foreign debt securities.

- Utilizing IFRS is an important factor for many stages of international finance. Financial statements made by the countries that have adopted IFRS are similar. It helps many countries to follow similar reporting systems.
- IFRS system, which is a part of international finance, also helps in saving money by following the rules of reporting on a single accounting standard.
- International finance has grown in stature due to globalization. It helps understand the basics of all international organizations and keeps the balance intact among them.
- An international finance system maintains peace among the nations. Without a solid finance measure, all nations would work for their self-interest. International finance helps in keeping that issue at bay.
- International finance organizations, such as IMF, the World Bank, etc., provide a mediators' role in managing international finance disputes.

4. SCOPE OF INTERNATIONAL FINANCIAL MANAGEMENT:

The main objective of international financial management is to arrange sufficient funds for meeting the short-term and long-term goals of an organization. A financial manager has to concentrate on the following areas of international finance function:-

- **Estimating Financial Requirements:** The fundamental responsibility of the international finance manager is to estimate the short and long term financial requirements of the business. To determine this, the finance manager has to prepare a financial plan for the present as well as the future, based on the past financial data of the business. This includes estimating the amount required for purchasing fixed assets as well as the working capital.
- **Deciding Capital Structure::** The capital structure refers to the kind and proportion of different securities for raising the required funds. After deciding about the amount of funds required, its time to decide which type of securities should be raised. It may be wise to finance the fixed assets via long-term debts and current assets via short-term debts.
- **Selecting a Source of Finance:** After preparing the capital structure, the appropriate source of finance needs to be determined. Various sources from which finance can be raised can include share capital, debentures, financial institutions, commercial banks, public deposit or equity, etc. If finance is required for short-term then a bank, public deposits, and financial institutions are appropriate. On the other hand, if finance is required for long-term, share capital and debentures might be useful.
  International financial management deals with the financial decisions taken in the area of international business.

It is a popular concept which means management of finance in an international business environment, it implies, doing of trade and making money through the exchange of foreign currency. The international financial activities help the organizations to connect with international dealings with overseas business partners- customers, suppliers, lenders etc.

5. INTERNATIONAL FINANCIAL MANAGEMENT:

International Financial Management is a well-known term in today's world and it is also known as international finance. It means financial management in an international business environment. It is different because of the different currency of different countries, dissimilar political situations, imperfect markets, diversified opportunity sets. International Financial Management came into being when the countries of the world started opening their doors for each other. This phenomenon is well known by the name of "liberalization". Due to the open environment and freedom to conduct business in any corner of the world, entrepreneurs started looking for opportunities even outside their country boundaries. The spark of liberalization was further aired by swift progression in telecommunications and transportation technologies that too with increased accessibility and daily dropping prices. Apart from everything else, we cannot forget the contribution of financial innovations such as currency derivatives; cross-border stock listings, multi-currency bonds and international mutual funds. The resultant of liberalization and technology advancement is today's dynamic international business environment. Financial management for a domestic business and an international business is as dramatically different as the opportunities in the two. The meaning and objective of financial management do not change in international financial management but the dimensions and dynamics change drastically.

International level initiatives like General Agreement on Trade and Tariffs (GATT), The North American Free Trade Agreement (NAFTA), World Trade Organization (WHO) etc has to give promoted international trade and given it a shape. All because of liberalization and those international agreements, we have a buzz word called "MNC" i.e. Multinational Corporations. MNCs enjoy an edge over other normal companies because of its international setting and best opportunities. International Finance has become an important wing for all big MNCs. Without the expertise in International Financial Management, it can be difficult to sustain in the market because international financial markets have a totally different shape and analytics compared to the domestic financial markets. A sound management of international finances can help an organization achieve same efficiency and effectiveness in all markets.

6. STRATEGIC OF INTERNATIONAL FINANCE MANAGEMENT:

6.1. Advisory service of the World Bank:

(EFTA) can now provide assistance through its new guarantee scheme, Expanded Co financing (ECO), and in other ways. In the case of the most highly indebted countries, the World Bank is also contributing to debt and debt service reduction through its involvement with both the Brady Plan and the IDA debt facility schemes. In providing its advice to client countries, the World Bank recognizes the important role of private financial organizations that can organize professional financial advice on various aspects of external financial resource and risk management.

6.2. The National Balance Sheet and Risk Assessment:

In introducing the topic of the national balance sheet and risk assessment, Donald Lessard suggested that the task of establishing a financial strategy for a country could be visualized as having the objective of optimizing the growth of the economy. It would also involve certain intermediate objectives and draw upon a number of control variables. The intermediate objectives of the policy would include:

- Minimizing the costs of external finance;
- Managing the risks of the financing chosen so as to generally minimize them;
- Obtaining and maintaining access to the widest possible range of external capital markets;
- Arranging financing that could enhance the micro-efficiency of, for example, the industrial sector (for example, through linking financing methods and management involvement).

6.3. Financial Instruments for Risk Reduction:

The market instruments now available make it possible to be far more precise than previously as regards this part of the task of overall asset/liability management. Thus, even though the right-hand side of the balance may be more important for some economies, there is likely to be a significant pay-off for most countries in taking advantage of the possibilities of acting on risk reduction in relation to the financial aspects narrowly defined. Real Economy with exposures to External monetary balance sheet

- Interest rates
- Public assets/liabilities
- Commodity prices
- Private assets/liabilities
- Exchange rates

6.4. Improving Access to the World Capital Markets:

Pierre Vieillescazes of the World Bank introduced the subject of access to world capital markets. He noted the reduced role that the commercial banks had played in 1991 in lending to the developing countries compared to the 1970s. The explanations for this included the downturn in overall commercial bank lending; the pressures arising from increased capital adequacy now imposed on the international banks; and, above all, the overexposure in developing countries built up in the 1970s and early 1980s. Furthermore, because of the overexposed positions of the banks, their own costs of funds had risen, meaning that some of their corporate borrowers were now able to raise funds at lower cost by accessing the markets directly rather than through the banks. These factors together meant that by 1989, private loans accounted for only about 3 percent of total capital transfers to developing countries, compared to over 30 percent in 1983.Vieillescazes identified three separate categories of developing country borrowers facing significantly different quality of access to both international bank loans and to capital market instruments.

6.5. Debt Restructuring and Debt/Equity Swaps:

The three general aspects of international financial strategies discussed before were complemented by the in-depth discussion of two specific aspects that became important: to many developing countries in recent years. These are debt restructuring and debt/equity swaps, and privatization.

6.6. Privatization as a Financial Reform Strategy:

Euan Macdonald of S. G. Warburg, London, addressed the topic of privatization as a financial reform strategy. He differentiated between two different types of privatization. The first is where assets are sold through an existing capital market with the intention of broadening the ownership of equity securities. The second is where there is a direct sale involving a limited number of buyers. Macdonald noted that in both contexts, privatization could have a variety of explicit and hidden objectives, including:

- To develop the local capital markets;
- To improve management capabilities by establishing a more competitive environment for the enterprise;

- To meet the government's need to raise money;
- To have more private individuals involved in the market economy as shareholders;
- To increase the importance of free markets.

7. CONCLUSION:

The systematic risk management strategy and Sound international finance strategy needs to be embedded firmly within a foundation of sound and relatively undistorted macroeconomic management. Several of the technically innovative approaches to risk management could be invoked even in the absence of this situation.

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