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**SYSTEM OF REGULATION OF TRANSNATIONAL BANKS AND INTERNATIONAL FINANCIAL MARKETS IN THE CONDITIONS OF GLOBAL ECONOMIC CRISIS**

**Summary**

*The purpose of the research* - the article provides information about the transnational banks and international financial markets regulation system in the global economic crisis. During the past two hundred years since the transformation of the global economy into an industrial society, there has been a dynamic decrease in production in individual macroeconomic systems, accumulation of unsold products in warehouses, a drop in price levels, degradation of mutual settlement systems, collapse of the banking system, recession and bankruptcy of industrial and commercial firms, unemployment increase in dynamics, etc. national, regional and global crises characterized by such signs are being observed. In the relevant economic literature, the crisis is characterized and understood as a violation of the balance between the demand for goods and services and their supply. And as a macroeconomic process, it is possible to evaluate the economic crisis as a situation in the decline phase of cyclical development.

*Research method* - the article used a number of scientific methods, including scientific abstraction, analysis, synthesis and generalization.

*The findings of the research* - in the economic literature, Economic Crises are divided into 2 main categories: Financial Crises and Real Sector Crises. The types of financial crisis are defined as monetary crises, banking crises, systematic financial crises and foreign debt crises under twin crises. It should be noted here that the concept of twin crisis reflects the situation where money and banking crises affect each other in a short period of time (bank crises cause money crises or money crises cause bank crises). The 1982 Chilean crisis, the 1992 Finnish and Swedish crises, and the Asian crises are the most important examples of twin crises.

**Keywords:** transnational, financial institution, industrial, macroeconomic, crisis.

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**Introduction**

Bank crises can generally be defined as: Bank balance disruptions due to non-performing loans, difficulties in business credit conditions and drops in real sector credit applications, sudden withdrawals from accounts, sudden and severe ups and downs (fluctuations) in currency

markets, loss of investment due to lack of confidence in the financial system. are shocks caused by such reasons.

Currency crises, such as rapid and sudden exits of foreign direct investment from the country, speculative attacks, excessive rise and fall (fluctuation) in interest rates, decrease in

international reserves and loss of confidence in the national currency, and the central bank's loss of control over the exchange rate, 10% - 25% on the nominal exchange rate % were the shocks caused by the loss of value. In other countries, it causes currency crises and balance of payments crises.

Systematic financial crises; can be defined as shocks that disrupt important functions of the financial system, such as lending, payments, and property valuations, and have negative effects on the real economy.

An external debt crisis is a situation in which a country declares its inability to pay principal or interest on public or private sector debts due to external payment problems.

Financial Crisis Models, while being very specific in nature, have the status of potentially threatening macroeconomic stability more seriously. As you can see from the diagram above, the financial sector has a wide profile and manifests itself at different levels in different sub-spheres. As observed from the research, although the financial crises have similar aspects, the causes and scopes of occurrence are not so similar. Despite all this, in accordance with some basic principles of the mentioned crises, basically four models have been summarized in the practical-methodological context in the economic literature.

In general, if we approach the process from a practical point of view, we should note that in the last 50 years, 6 cycles have been recorded in developed countries. The cycle consists of

recessions and expansions. In typical recessions, GDP decreases by 2.8%, the duration is usually 1 year. In expansions, GDP increases by 20%, the process takes 5 years. When the recession is 10%, it is called a depression. The biggest depression in the last 50 years was in Finland in the 60s. The largest increase in GDP in expansions took place in Ireland (the "Irish miracle").

The causes of the occurrence of global economic crises are different in different historical periods. Specifically, when we look at the last global economic crisis of 2008, we can group the reasons for its occurrence as follows:

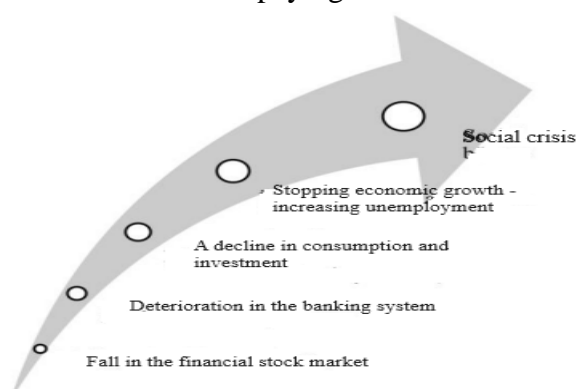
I. Decline phase of cyclic development: i. The down phase of the cycle in the US, the impetus - the mortgage crisis; ii. deflation of "financial bubbles" followed by recession;

II. Derivative "pyramid" (10 times more than world GDP);

III. Weak control of risks in the financial system

IV. Globalization - synchronization of crisis, "contagion effect"

In that crisis, we can express the crisis waves as follows (see Pic.1.) The crises observed in all the stages of human history that can be analyzed, in the first periods, mainly against the background of low agricultural production or food security, and from the middle of the 19th century, the development of industrial production is considered as a serious violation of the balance between the demand capable of paying.



**Picture 1. The main waves of the 2008 global economic crisis (in the context of the banking and debt crises observed in Greece, Italy and Portugal).**

**Source: AR of the picture was compiled based on relevant materials of Marbezi Bank and IMF.**

## 2. Setting the issue

We can note that the activities of the G-20 as a joint coordinated anti-crisis strategy have been carried out in a much more effective way. The anti-crisis strategy of the G-20 summit and its essence. Main directions:

- International cooperation in creating a global financial architecture that allows optimal management of financial risks;
- Ensuring strict regulatory framework and transparency of financial systems and markets;
- Increasing control of hedge funds and their accountability;
- Making the ratings of credit rating agencies honest and also covered by regulation. The activity of the Central Banks to eliminate the consequences of the last financial crisis in individual countries is reflected in the table below.

Against the background of financial globalization, the analysis of the duration of the crises observed in the world economy is very relevant today. To observe that scene, it is appropriate to pay attention to the following diagram.

The financial crisis in the financial markets differs from previous crises in its global scale. New financial instruments and procedures that have created difficulties in the United States have begun to spread on a large scale and have resulted in serious consequences for importing countries. Although they were not the only source of problems faced by European countries, they can be considered the main ones today. As the crisis developed, trust in financial institutions began to decline. Ordinary citizens no longer trust regulatory bodies that specialize in creating norms and rules. At the same time, the regulatory bodies of one country do not believe that their counterparts in other countries perform their functions fluently and honestly, despite the fact that, at first glance, there are quite adequate regulatory organizations in those countries.

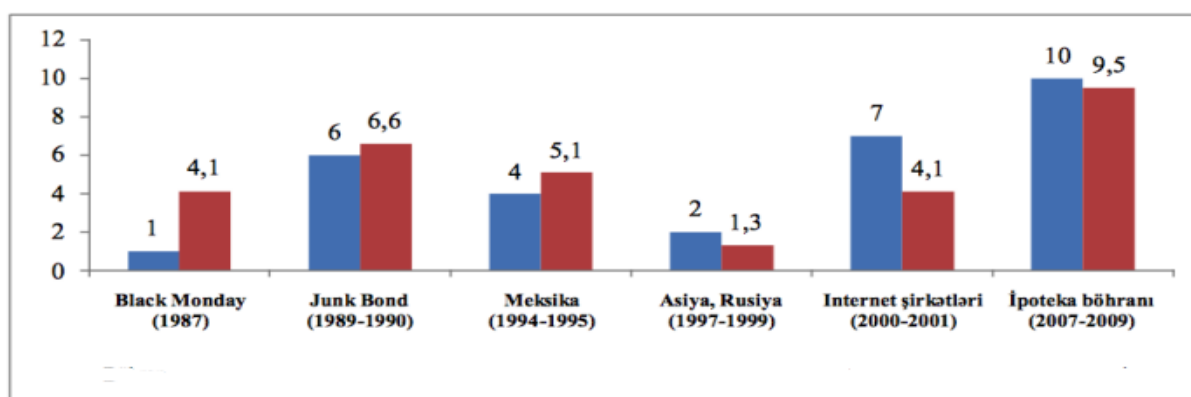
Global coordination - Considering that financial markets are already globalized, their regulation should be done at the global level. A

regulatory failure in one country can have a negative impact on other countries. This aspect is even more important if we consider that the rescue of financial markets is decided at the national level. If the state is not sure of the safety of financial instruments imported from abroad, then it can impose restrictions on the purchase of such products by citizens and financial institutions; if the state is not sure of the smooth operation of the financial organization of another country, then restrictions can be placed on cooperation with such organizations, because in this case the security of local organizations can be ensured.

Intervention in the capital market in times of crisis - The state has a number of policy instruments to stabilize financial flows. When traditional instruments such as interest rates are not effective during a crisis, states use other methods, for example, they can implement additional taxes or any quantitative restrictions on the outflow of capital in the short or long term. During a financial and economic crisis, states can restrict the outflow of capital in order to expand their monetary policy.

The creation of national, bilateral, regional and international regulation systems of transnational business activity began in the early 1970s. States are currently developing and implementing various instruments at the national level to monitor the activities of TNCs. Their application allows mitigating the negative impact of TMBs.

The objective needs to regulate transnational entrepreneurship on an interstate basis stems from the need to create an adequate institutional and legal infrastructure for the integration of international business into national socio-economic systems, on the one hand, and directly from the economic power of TMBs, on the other hand. In the early 1970s, the movement towards the development of international codes of conduct for TMBs gained momentum. These codes should be multilaterally agreed documents that form specific principles and norms of transnational business regulation.



**Diagram 1. The amplitude of continuation of economic crises in the global context (by quarters) (Source: Research of the Central Bank of Azerbaijan M. Ershov, "Crisis of 2008: the moment of truth for the global economy and new opportunities for Russia", "Economic issues", N 12, 2008, Institute of Economics RAS.).**

Table 1.

Tools of the national policy of regulating the activity of TNCs

State control tools	Positions of national enterprises	TMB-lərin mövqeləri
Controlling access to the national market	provides the only possible but protected market allows full control of the market, but the market has an excessively expensive or technically backward product	It is contrary to the goals of TMBs, but it makes them interested in cooperation
Subsidies and grants	analogous to "selective competition".	may be necessary to attract an important partner
Financial incentives	Success is possible if major companies are not allowed to participate	is not important
Export assistance	The prices necessary to "live" are set, and these prices are usually higher than world prices	It is very important, it is necessary to attract important partners
Price policy		necessary pressure to equalize prices

### 3. Methods of solution

According to the developing countries, the Code of Conduct of TMBs should reflect the norms, standards and rules that will regulate the activity of TMBs at the international level and act as an effective tool for balancing the national and global interests of all participants of the world economy. The universal code of conduct of TMBs should reflect the basic norms of their activity, among which the following deserve special attention:

– in the field of ownership, TMBs must ensure the fulfillment of the requirements put forward by the countries receiving capital in their foreign enterprises on local participation in the share capital, create conditions for effective control of local partners, give priority to national

personnel during recruitment and promotion in all management circles;

– in the monetary and financial sphere, the TMBs should consult and cooperate with the governments of the countries receiving them to mitigate the problems arising from the situation of the balance of payments of these countries. In addition, TMBs should not allow situations that may negatively affect the functioning of the capital markets of the countries where they operate, especially situations that may make it difficult to obtain financing from other companies;

– in the field of transfer pricing, TMBs should not allow the determination of prices that are not based on the relevant prices of the free market in practice; in the field of taxation, a request was made not to use the transnational

corporate structure for the purpose of changing the tax calculation base in the countries that accept such business;

– in the field of consumer protection, TMBs should unequivocally follow the relevant international standards in order not to endanger the life and health of consumers of their products, and should not allow differences in the quality of goods in different markets to the detriment of consumers;

– TMBs should not interfere in the internal politics of the countries where they operate.

The implementation of these agreements is monitored by various international companies that are directly or indirectly related to the activity of TMBs.

In general, during the last 20 years, politicians have changed their attitude towards TMBs and started to take more liberal positions. This can be explained by the objective processes occurring in the modern world economy: the increasing influence of the scientific and technical revolution in all areas of the world economy, its internationalization, changes in the social structure of society, and the homogeneity of the tasks facing all the countries of the world that must be solved. These duties include:

– creation of conditions for long-term economic growth;

– paying due attention to scientific and technical policy;

– strengthening the country's economic potential based on deep structural changes;

– renewing the country's production base in terms of quality and strengthening the competitiveness of its products. For developing countries, the following can be added to the above:

– debt crisis;

– ineffectiveness of socio-economic policy due to the dominant position of state regulation in the economy;

– accumulation of experience of effective regulation of foreign capital activities in the national economy;

#### **4. The result**

As a result, against the backdrop of economic globalization trends, transnational banking entities with greater influence and based on more

innovative technologies have been formed in the global financial sector, especially in financial markets.

Undoubtedly, the global activity of such entities would lead to significant qualitative and quantitative changes in the world economy, the final balance of which, so to speak, we could easily observe when analyzing the last global financial crisis.

Against the background of all these conjunctural changes observed in the world financial markets, it became necessary to restructure the global financial architecture and increase the adequacy of the international financial system to these new format changes. During the establishment of a sustainable global financial system, the priority directions can be listed as follows:

– The architecture of the global financial system must be planned at a high level. Effectiveness and flexibility of the activities of institutional management and control bodies should be ensured in the system in which countries with different levels of development participate;

– Increasing the compatibility of the activities of international financial institutions with the modern economic system, especially the efficiency and effectiveness of the activities of institutions such as the IMF and the World Bank should be increased. In accordance with the mandate of the IMF, it is appropriate to increase the participation in global processes and to support the necessary initiatives for the immediate implementation of serious reforms in the management of the institution;

– Provision of serious reforms and selection of effective policy instruments for the implementation of regulation and control in the derivative financial instruments market, which has been developing at a high rate in recent years;

– Determining the methods of solving the international debt problem on a global scale, providing international financial assistance by carrying out debt restructuring, especially in countries where the situation is more acute;

– It is important to strengthen the macroprudential regulation and implement strict

control over the international flow of capital, to take appropriate steps to more effectively apply the provisions reflected in the Basel principles in the practical activity of banks 83. Volatility observed in capital flows results in very serious consequences, especially for developing countries;

– Strengthening international standards in the field of accounting. minimizing the influence of cyclical factors in the financial system by improving prudential control and risk management;

– In order to ensure the harmony of the activities of financial institutions within the country, the implementation of state policies in an appropriate form should be intensified, and strong micro-control over the activities of the financial sector and its institutions should be ensured.

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## QLOBAL İQTISADI BÖHRAN ŞƏRAITİNDƏ TRANSMİLLİ BANKLARIN VƏ BEYNƏLXALQ MALİYYƏ BAZARLARININ TƏNZİMLƏNMƏSİ SİSTEMİ

### Xülasə

*Tədqiqatın məqsədi* - məqalədə qlobal iqtisadi böhran şəraitinə transmilli banklar və beynəlxalq maliyyə bazarlarının tənzimlənməsi sistemi araşdırılmışdır. Qlobal iqtisadiyyatın industrial cəmiyyətə çevrilməsindən ötən iki yüz il ərzində ayrı-ayrı makroiqtisadi sistemlərdə istehsalın artan dinamik sürətlə azalması, satılmayan məhsulların anbarlarda toplanıb qalması, qiymət səviyyələrinin aşağı düşməsi, qarşılıqlı hesablaşma sistemlərinin deqradasiyası, bank sisteminin çökməsi, sənaye və ticarət firmalarının ressesiya düşərək müflisləşməsi, işsizliyin dinamikasında artım və s. kimi əlamətlərlə səciyyələnən milli, regional və qlobal böhranların yaranması müşahidə olunmaqdadır.

Müvafiq iqtisadi ədəbiyyatlarda böhran, əmtəə və xidmətlərə olan tələblə onların təklifi arasında tarazlığın pozulması kimi xarakterizə edilir, başa düşülür. Və makroiqtisadi proses olaraq iqtisadi böhranı tsiklik inkişafın eniş fazasındakı situasiya kimi qiymətləndirmək mümkündür.

*Tədqiqatın metodu* baxımından məqalədə bir qrup elmi metodlardan, o cümlədən elmi abstraksiya, analiz, sintez və ümumiləşdirmə metodlarından istifadə edilmişdir.

*Tədqiqatın nəticələri* - iqtisadi ədəbiyyatlarda İqtisadi Böhranlar 2 əsas yerə bölünür: Maliyyə Böhranları və Real Sektor Böhranları. Maliyyə böhranının növləri, əkiz böhranlar altında pul böhranları, bank böhranları ilə sisteməlik maliyyə böhranları və xarici borc böhranları olaraq müəyyən edilir. Burada qeyd etmək lazımdır ki, əkiz böhran anlayışı, pul və bankböhranlarının qısa dövrdə bir-birlərinə təsir etməsidir (bank böhranlarının pulböhranlarına səbəb olması ya da pul böhranlarının bank böhranlarına səbəb olması) birarada reallaşdığı vəziyyəti əks etdirir. 1982-ci il Çili böhranı, 1992-ci il Finlandiya və İsveç və Asiya böhranları əkiz böhranlara verilə biləcək ən əhəmiyyətli nümunələridir.

**Açar sözlər:** transmilli, maliyyə qurumu, industrial, makroiqtisadi, böhran.