

THE ROLE OF THE STOCK EXCHANGE IN CORPORATE MANAGEMENT

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Abstract. The role of stock exchanges in corporate management is multifaceted, acting as a nexus for capital allocation, governance enforcement, and market efficiency. That is why it is important to clarify the mechanisms through which stock exchanges influence corporate decision-making, performance, and stakeholder value creation, thereby contributing to the advancement of economic theory, corporate behavior, and governance practices.

The goal of the article is to determine the impact that the stock exchange has on corporate management by performing its functions in the country's economy.

The methodological basis of the study: analysis, terminological analysis, systematization, generalizations methods, which serve to confirm the results.

One of the primary functions of the stock exchange is to facilitate capital formation for companies. Thus, issuing stocks or shares to the public through Initial Public Offerings could effectively help companies to raise funds for various purposes such as expansion, research and development, or debt repayment. This influx of capital allows companies to grow and invest in their operations.

Listed companies have ongoing access to equity capital through secondary offerings or additional issuances of shares. This option allows companies to raise additional funds for expansion or to fund on new opportunities without debt financing, maintaining a healthy balance sheet and financial flexibility.

The stock exchange provides liquidity to shareholders by offering a market where they can buy and sell shares of publicly traded companies easily. This liquidity allows investors to manage their risks, exit, or enter their investments relatively quickly, making

investing in publicly listed companies more attractive.

The stock exchange provides a mechanism for market evaluation of a company. The stock price reflects market participants' perceptions of the company's performance, prospects, and value in general. This valuation can affect various aspects of corporate management, including executive compensation, potential merger, or acquisition. For instance, the market appraisal could define the current shares quotation and efficacy of the secondary offering.

The stock exchange is also a tool for benchmarking a company's performance against its rivals and industry standards. As a result, this comparison can help management identify areas for further improvement, set or change performance targets, and evaluate their strategic positioning relative to competitors.

Listing process on a stock exchange often comes with regulatory or exchange requirements to management and reporting standards, which improves corporate governance. Companies listed on exchanges are subject to transparency and disclosure legal norms, thus protecting investors and ensuring that market participants have access to accurate, timely and reliable information about the company's results, governance practices, and strategic direction.

Overall, the stock exchange plays a vital role in corporate management by facilitating capital formation, providing liquidity, enforcing corporate governance standards, determining market valuation, offering access to equity capital, and enabling benchmarking and performance comparison. These functions contribute to the efficient allocation of resources in national economy, transparency, and accountability in the corporate sector.

Keywords: stock exchange, functions of the stock exchange, initial public offering, secondary offering, liquidity

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