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## ISSUES OF ATTRACTING CAPITAL THROUGH THE DEVELOPMENT OF THE STOCK MARKET AND EXCHANGES

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### Abstract

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**Keywords:** *Stock market, bonds, joint-stock companies, free float, financial instruments, issuers, investment funds, capital market, economic development.*

*The article theoretically studies the development trends of the securities market in Uzbekistan, trade processes, stock exchanges, the main factors influencing the development of the securities market, proves the main scientific views and opinions. There are also scientifically based views on the impact of stock market development on the country's economic development.*

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### INTRODUCTION

In the current era of accelerating globalization, large investment companies are investing twice as much in developing economies as in developed countries. Despite the growth of investment flows in fast-growing countries, factors such as stock market capitalization, transparency, liquidity, stock price volatility, and high transaction costs make it difficult to use the optimal method of asset valuation. The sharp fluctuations of assets in the world stock markets are explained by the fact that the level of capitalization of stock markets in developing countries is growing from year to year. However, the mechanism of issuing securities and selling them on the stock market is not used effectively

Extensive work is being done in Uzbekistan to develop the securities market. In particular, in recent years, the institutional framework for the development of the securities market in the country has been created.

However, the lack of an independent state body for the development of the financial market in the country, the inefficiency of the stock market, in particular, the imperfection of the mechanism for valuing stock market assets, hinder the full use of opportunities in this area. In particular, in order to increase financial resources in the economy, to increase the stock market turnover from \$ 200 million to \$ 7 billion in the next 5 years. Gradual liberalization of capital movements in the country and privatization of large enterprises and their shares (shares), including through the stock exchange. It is planned to complete the transformation process in state-owned commercial banks and

increase the share of the private sector in the bank's assets to 60% by the end of 2026.

<sup>i</sup>Thus, it can be concluded that the banking and financial sector also has a special role in the development of the economy, and its development plays an important role in improving the economy.

development of the banking and financial sector , and investments create opportunities for joint-stock companies to enter new technologies and know-how. Achieving this, of course, requires the development and implementation of a well-thought-out dividend policy. Today, the dividend policy is not well implemented in all enterprises in the country. This is because the effective implementation of the dividend policy, in turn, should have an impact on the development of stock exchanges. Insufficient development of stock exchanges in our country requires the effective implementation of dividend policy in joint-stock companies. For this reason, today it is important to identify and eliminate the existing shortcomings in the mechanism of profit distribution and dividend policy in joint-stock companies of the country.

### LITERATURE REVIEW

Regulation of the financial market plays a special role in the development of the economy and improving the functioning of the financial market. I.Atiyas and H.Ersellar, foreign scholars on financial market regulation, conducted a study according to which there are “ix-post” and “ix-ante” forms of government regulation<sup>ii</sup>. According to R. Francioni, J. Fraser and A. Heckmeister, the main purpose of financial market regulation is to ensure financial stability. In this regard, one of the important conditions for stability is the infrastructure system operating in the financial markets. Every analysis of financial markets must naturally take into account the rules of the infrastructure of that financial market <sup>iii</sup>. According to A.Pakkes and D.Heremans, financial markets cannot function perfectly mainly due to data imbalances. Data imbalances indicate the need to regulate financial markets, and solutions for this are mainly provided by financial participants or the government. may require intervention <sup>iv</sup>. The government may decide to select companies with an effective state share for listing of shares, and thus achieve the transfer of large amounts of investment in the stock market to efficient companies <sup>v</sup>.

J.Makey, M.Ohara, D.Pompilio point out that from an economic point of view, listing requirements can be divided into two analytical categories. The first category includes rules that serve the interests of listing companies to ensure the profitability of the exchange, as companies that make a profit on a regular basis benefit from a constant quote on the stock exchange. The second category is designed to protect the reputation of a listed trading platform <sup>vi</sup>. According to S. Chaplinsky and L. Ramchand, compulsory delisting occurs because companies do not meet established standards, in most cases, because companies perform poorly <sup>vii</sup>. As I.Martinez, S.Serve , and K.Jama point out, the analysis

<sup>i</sup> Resolution of the President of the Republic of Uzbekistan dated 28.01.2022 Decree No. PF -60 "On the Strategy of Development of New Uzbekistan for 2022 - 2026 " ,

<sup>ii</sup>Izak Atiyas and Hasan Ersel. Financial markets, regulation and financial crises. Article. Semantic Scholar. November 1, 2010. p 4-5;

<sup>iii</sup> [Reto Francioni](#) , [James H. Freis](#), Alexandra Hachmeister. Financial market regulation. Article. Springer Link. January 18, 2017. p3;

<sup>iv</sup>Alessio M.Paccas , Dirk Heremans. Regulation of Banking and Financial Markets. DOI: 10.2139 / ssrn.1914461. SSRN electronic Journal. May 2011;

<sup>v</sup> [Julan Du](#) , [Chenggang Xu](#) . Which Firms went Public in China? A Study of Financial Market Regulation. [World Development Volume 37, Issue 4](#) , April 2009, Pages 812-824;

<sup>vi</sup>Jonathan Macey, Maureen O'Hara and David Pompilio. Down and Out in the Stock Market: The Law and Finance of the Delisting Process. Article. Haas School of Business University of California, Berkeley. November 2003. p 6-7;

<sup>vii</sup>Susan Chaplinsky and Latha Ramchand. From Listing to Delisting: Foreign Firm's Entry and Exit from the US. Article. DOI: [10.2139 / ssrn.970641](#) . Semantic Scholar. October 2007. p 5;

of the causes of delisting in terms of x cost savings leads us to identify two different levels of delisting. In the case of voluntary delisting, firms face an increase in listing costs, while in the case of forced delisting, firms are no longer able to manage their costs. These differences mean that it is important to consider the economic consequences of delisting

viii

Uzbek economists have also conducted research on financial market regulation. In particular, according to a team of researchers led by S. Elmiraev, mega-regulators and macro-regulators are widely used as external mechanisms to regulate the financial market

ix

## ANALYSIS AND DISCUSSIONS

Uzbekistan today, joint stock companies are the main participants in the stock market and exchange trading, and the stability of their activities, in turn, plays an important practical role in improving the efficiency of the stock market.

In addition to the stock market, the market of certificates of deposit, corporate bonds, bonds of the Central Bank of the Republic of Uzbekistan, government short-term bonds is developing in Uzbekistan. Banks play an important role in the functioning and formation of the Uzbek securities market system. Banks have been and are provided with a wide range of opportunities to operate in the securities market compared to other businesses. First, banks usually recruit highly qualified staff. Second, the banking legislation regulates the activities of commercial banks that issue shares in the form of joint-stock companies, ie securities. Third, compared to ordinary enterprises and organizations, banks, as large investors, accumulate and currently accumulate significant private and borrowed funds, which create the necessary conditions for participation in the stock market. Finally, the legislation of the Republic of Uzbekistan does not restrict the activities of banks in the securities market, and at the same time banks have access to a wide range of information about the financial and economic activities of their clients, giving them an advantage over ordinary investors.

The important role of banks in the securities market is that, unlike other business entities, as participants in this market system, they can be:

1. In the role of issuer of shares, bonds, certificates of deposit and bank bills, ie other forms of securities provided by law;
2. In the role of an investor holding other business entities and government securities; can play the role of professional participants of the stock market, providing securities management services, advice, intermediation, depository services to their clients

At the same time, commercial banks are an element of the overall structure of the stock market. In practice, not every stock market participant can operate without banking services. Therefore, it opens accounts and other accounts, where it keeps the money used to carry out transactions with securities.

Decree of the President of the Republic of Uzbekistan Sh.M.Mirziyoyev "On the Strategy of Actions for the Further Development of the Republic of Uzbekistan" No. PF - 4947 In order to implement the priorities of modernization and liberalization of all spheres of life in 2017-2021. The Action Strategy for the five priority areas of development of the Republic of Uzbekistan was approved x. Priorities for economic development and

<sup>viii</sup> Isabelle Martinez, Stephanie Serve, Constant Djama. Reasons for Delisting and Consequences. Article. SSRN Electronic Journal. April 11, 2015. p3;

<sup>ix</sup> Financial market: Textbook / S. Elmiraev and others; - T.: "Economy and Finance", 2019. -299 p.

<sup>x</sup>Decree of the President of the Republic of Uzbekistan Sh. Mirziyoyev PF-4947 "On the Action Strategy for further development of the Republic of Uzbekistan". 7.02.2017; <https://lex.uz/docs/-3107036>

liberalization play a key role in this Action Strategy. Article 125 of the State Program on the Year of Dialogue with the People and Human Interests focuses on attracting capital and developing the financial market as an alternative source of free funds for enterprises, financial institutions and the population. Development of the financial market of the Republic of Uzbekistan in the medium and long term The concept of development of the concept of initial public offering (IPO) of shares of individual national enterprises on foreign stock exchanges, their access to foreign capital markets, simplification of state registration of initial and additional issues of securities, coordination of the securities market strengthening the role of the financial market in the introduction of modern instruments, ie the securities market, not as a regulatory body Important measures are being taken to increase the effectiveness of its activities as a body that protects the rights and legitimate interests of its participants. The concepts of stock market and stock market are common in economic literature and vocabulary.

Uzbekistan today, joint stock companies are the main participants in the stock market and exchange trading , and the stability of their activities, in turn, plays an important practical role in improving the efficiency of the stock market. U.M. Aliev said that the high investment climate in the country will increase the share of corporate bonds in the primary and secondary markets.<sup>14</sup> From the above theoretical considerations, it can be noted that the financing of investment activities through the stock market is carried out through a number of factors. Financing of investment activities through the stock market is carried out by achieving the investment attractiveness of shares by increasing the economic efficiency of enterprises and organizations participating in the market. The economic efficiency of the enterprises and organizations mentioned in this definition directly covers the macroeconomic and microeconomic indicators of the country. Achieving the investment attractiveness of their shares will help to attract foreign investment in the stock market and ensure transparency in the market.

Definitions of the nature of the stock market are not limited to these approaches. This type of market emerged during a period of development of the market economy with the emergence of demand for a new form of money circulation.

In our opinion, the stock market should be considered as a system of relations related to the issuance, sale and redemption of securities of legal entities and individuals. A market economy cannot function without the development of securities circulation.

It should be noted that there is no universal approach to the stock market and no ideal approach to its interpretation. But first, it is possible to obtain a certain set of universal concepts. They describe the stock market and its activities within this market, regardless of the economic model. Second, it is possible to distinguish the most universal model of the stock market for a clear economic system.

A rational choice of universal concepts as a broader exposition, and a simpler analysis, we can define an effective model of the stock market. First of all, it is necessary to define the concept of an efficient stock market (EFF) and evaluate the basic criteria for its evaluation. It should then be explained how these criteria help the country's economic situation in conducting economic policy, and take into account the role of the stock market in the economy as a whole.

For the convenience of research, it is necessary to develop a stock market model with reasonable descriptions. The model can then be used in terms of the implementation of one or another economic program within the framework of economic policy of the state. By an efficient stock market, we mean a stock market with relatively reasonable fundamentals. We can cite the main criteria necessary for an effective stock market for the

<sup>14</sup> Aliev U.M. Puti sovershenstvovaniyu funktsionirovaniya infrastruktury rynka tsennyx bumag. Iqt.fan.nom . Abstract of the dissertation for a degree. Tashkent, BMA. 2008. 19 p.

state to be able to pursue its economic policy. These are: capitalization, liquidity, stability and attractiveness of the population, independence from foreign markets and the information space.

#### 1. Market capitalization.

Traditionally, market capitalization has been used as a key indicator of market capacity. The high capacity of the stock market is a sign of a successful stock market and a feature of a country with a "quality" stock market, which is able to play a real role in the implementation of economic policy. This is due to the fact that in countries with highly developed financial markets and high economic efficiency, the stock market is characterized by high capacity. In other words, a necessary feature of the country's "quality" stock market is the high capacity of the stock market. On the other hand, the high capacity of the stock market is to create the conditions for achieving the parameters of forming the ideal model of the stock market, as well as to have an ideal model of the stock market in general <sup>xi</sup>. Only then will the stock market be able to play a leading role in public economic policy. It should be noted that the criterion for the efficiency of the stock market is not the maximum level of national capitalization of the stock market, but their effective and sustainable growth without sharp declines, and further development of the stock market in the long run. According to a study by the National Association of Stock Market Participants (FBMUI), the average rate of stock market development in the world is determined by the correlation between real GDP growth and stock market capitalization. It examines the average annual growth of the stock market by 2-3% and the average annual growth of GDP by 1%. In practice, this means that, on the one hand, the dynamics of stock market capitalization differs from the growth of GDP, on the other hand, it means that the dynamics of capitalization is growing steadily. The need for this is not to maximize capital growth, but to rationalize national capitalization, given the existing constraints.

#### 2. Market liquidity.

Undoubtedly, an important characteristic and indicator of the development of the stock market is its role in the development of the country's economy, its competitiveness is liquidity. In the research of foreign researchers, <sup>xii</sup>it can be seen that liquidity is the most stable indicator of correlation and regression dependence. It expresses macroeconomic development, in particular the protection of the interests of investors, the development of legislative governance.

Liquidity, even if it is achieved through speculation, is reflected in the development of the country's economy and the growth of the stock market. The main indicators of liquidity are the ratio of trade to GDP, the ratio of market capitalization and trade volume, the number of transactions in the market, the average weighted spread (profit) and the width of the market.

Also, the liquidity of the market allows you to evaluate the stock market on a global scale. If we say that the main characteristic and conditions for the competitiveness of the stock market is liquidity, we can conclude that this indicator serves as a criterion for the competitiveness of the stock market in the volume of world exchange transactions.

#### 3. The basis of the stock market in the national economy.

This factor is also closely related to liquidity. One of the tasks of state economic policy is to ensure the growth and development of the national economy. The experience of the United States and other developed countries shows that the stock market is an instrument for raising funds and redistributing them to those sectors that need them. A

<sup>xi</sup>Rossiyskiy fondovyy rynek i sozдание mezhdunarodnogo finansovogo tsentra, NAUFORM 2008, S.57.  
<https://www.naufor.ru>

<sup>xii</sup>Levine R. Zervos S. Stock market, Banks, and Economics growth./ / The American economic Review, 1998, Vol.88. P .537-558.

characteristic feature of the Uzbek economy is the very low share of the population investing in these stocks in the stock market. This drastically reduces the investment base of the stock market, reduces market liquidity and the number of transactions, and reduces its role in the economy. It should be noted that in the long run, it is the growth of the share of non-state private investors in stocks that is an important reserve for the growth of share stability and leads to the growth of its position as an element of effective economic policy.

Private investors can participate in securities transactions in two ways:

- direct participation in securities transactions;
- Participation in investment and pension funds.

Operations in these forms are common in France. Among developing countries, these operations are used in Hong Kong, Brazil and India. There are also countries with a high share of brokerage services for small investors. Examples of countries with such developed financial markets are the United States, Japan, and the United Kingdom, and developing countries include Korea, China, and Taiwan <sup>xiii</sup>.

The organization of investment in one form or another may depend on the country's development characteristics, history and culture, as well as many other factors. Practice shows that the active participation of the population in the investment process fully meets the above criteria. This allows the stock market to play a key role in economic policy.

#### 4. Reducing dependence on global financial markets <sup>xiv</sup>.

In the context of globalization of the world market, it is impossible to talk about the full implementation of economic policy. Only a strong, independent and liquid stock market can be a powerful tool for implementing government economic policy.

#### 5. Information field.

In order to have an active stock market, it is necessary not only to create the infrastructure, but also to create an information space. This problem is related to the transparency of information of domestic companies. It was discussed several times in the roundtable. The organization of the information space means the analysis of the situation of issuers, the analysis of enterprises in Uzbekistan, the financial condition of the regions and stock markets, as well as the investment attractiveness of enterprises.

It should be noted that the transparency of information in Uzbekistan is not developed to the required level. It is explained by several factors. In particular, the level of information openness of companies, the availability of information and data of private investors.

The openness of information required for an effective stock market must meet international standards. Therefore, it is necessary to pursue an economic policy aimed at increasing the transparency of the property structure. This is necessary not only for domestic investors, but also for foreign investors. Transparency of information is a key indicator of reliability. Without addressing this complex issue, it is difficult to build investor confidence and talk about the necessary investment flows.

### CONCLUSION

In conclusion, we have analyzed the scientific definitions of foreign and domestic economists and experts on the stock market and the stock market. We have expressed our critical views on them. While their definitions differ from each other, they also provoke controversy.

Based on an analysis of the scientific definitions of foreign and domestic economists and experts on the stock market and the stock market, and expressing our

<sup>xiii</sup>model finansovogo rynka na srednesrochnuyu perspektivu. Discussion material., M., NAUFOR, 2006, p.84. <https://www.naufor.ru>

<sup>xiv</sup>Report FSFR "Omerax on sovershenstvovaniyu i regulirovanie rqnka tsennyx bumag na 2008-2012 i dolgosrochnuyu perspektivu., M., NAUFOR, 2006, S.84. <https://www.naufor.ru>

critical views on them, it was found that their definitions differed from each other and caused controversy.

Contrary to the scientific definitions of foreign economists, we have defined the stock market as follows: "The stock market is an economic institution that is an integral part of the stock market and sells special goods in the form of financial assets, ie securities for investment purposes." . In turn, this definition clearly shows how the stock market works. Many economists also acknowledge that the stock market has a broader understanding than the stock market. This is because not all securities are traded on the stock market, but only stock values, ie investment securities. The stock market and investment play an important role in government measures in production, distribution, exchange, consumption, savings, exports and imports. Funds accumulated in the stock market are widely used in the implementation of measures in the institutional, structural, investment, fiscal, monetary, economic, social, foreign economic, scientific and technical areas of the state. The main task of investment activity in the stock market is not only the development of the stock market, but also the accumulation of investors' capital and money, their use, distribution and redistribution for various investment purposes. The stock market needs to raise a large number of investors and distribute them for various investments. This is due to the size and diversity of the market, ie the distribution of circulating securities among investors as much as possible. Modern portfolio theory is based on the valuation and in-depth analysis of assets in the stock markets, and research is quantified using correlation and regression analysis using a variety of effective models. This theory suggests that an investor's portfolio consists of a variety of assets that maximize profits by diversifying risk. In developed countries, assets in stock markets are valued using sectoral, regional, aggregate and global index types. Aggregate indices, which were first used as a statistical indicator to assess financial assets in stock markets, are still widely used as a key indicator of global stock markets.

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