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## **THE ROLE OF FINANCIAL MARKET INTERMEDIARIES IN THE DEVELOPMENT OF FINANCIAL MARKET IN UZBEKISTAN**

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### **Abstract**

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#### **Keywords:**

Intermediaries,  
investment  
funds,  
shareholder,  
privatization

The current situation in our financial market, including the secondary market, testifies to the fact that the national capital market has not fulfilled its main task of financing the real sector of the economy by attracting free funds from the population and investors, including foreign investors. Excessive influence on the privatization process, unreasonably high demands on JSCs, and the lack of a balanced approach to financial market sector reform were cited as the main obstacles to market development.

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### **INTRODUCTION**

The stock market plays an important role in attracting and redistributing the financial resources needed to solve real economic and social problems in the world, not only directing capital to more profitable and viable sectors, but also serving as a key indicator of real market value of assets (even globally). Particular, in 2019, the global stock market trade turnover amounted to 7.854 trillion compared to the 2018 figure. Decreased by USD 60.359 trillion. Was equal to USD. This figure is the period when the global crisis of 2008 had the biggest negative impact on stock market trading, compared to 62.874 trillion in 2009. The U.S. dollar<sup>1</sup> has also fallen below that level.

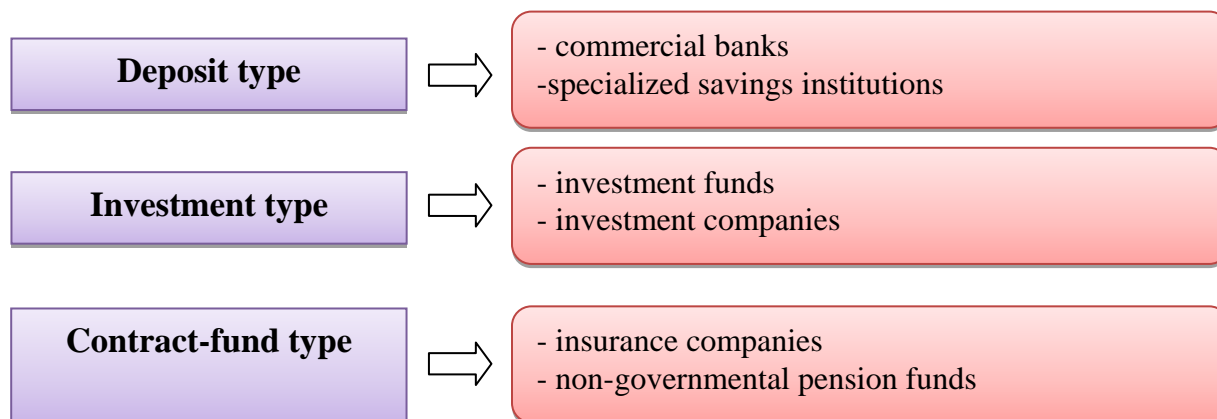
In world practice, scientific research has been conducted to study the movement of capital flows through the stock market. Based on the results of the research, opinions on the development of national and international stock market systems are being developed and continuously improved. These include a number of scientific studies on the improvement of stock market trading mechanisms, the use of international capital through the placement of securities on world stock exchanges, the efficient use of borrowed funds and the formation of an optimal capital structure. However, aspects of the possibility of increasing capital inflows into the country through the stock market have not yet been fully resolved scientifically.

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<sup>1</sup>Prepared on the basis of data <https://data.worldbank.org/indicator/CM.MKT.TRAD.CD>.

## LITERATURE REVIEW

A *financial instrument* is a contract that results in a financial asset in one entity and a financial liability or equity instrument in another entity. Financial instruments arise as a result of transactions between market participants. In the event that one of the parties to the transaction incurs a financial asset, the other party inevitably incurs an obligation that serves to satisfy the claims on the financial asset. Thus, a financial asset is entitled to claim payments on financial liabilities, the amount of financial assets is equal to the amount of financial liabilities, and financial instruments are a form of their reflection.



**Figure 1** Financial market intermediariestypes<sup>2</sup>

For example, a share is a financial asset for its owner (investor) and a liability for the issuer. The issuer must provide the shareholder with the following rights :

- in management participation to reach ;
- receive dividends ;
- the company is liquidated at the time his property a part of get \_

The concepts of stock market and stock market are common in economic literature and vocabulary. In particular, E.F. Zhukov writes: "Currently, there are three markets for securities involved in financing the economy: over-the-counter, stock (stock) and street <sup>3</sup>. "Other economists, such as Ya.M. Mirkin sees the concepts of stock market and stock market as one concept <sup>4</sup>. But if we consider that in all three markets there is a single commodity quotation, which can be called "stock values", it becomes clear that the concepts of "stock market" and "stock market" are very similar.

It should be noted that in international practice there are different interpretations of the scientific definitions of the "stock market", which differ from each other and do not form a single approach. Therefore, while the controversy among economists about the stock market and the stock market is still ongoing, the scientific definitions and opinions given by foreign economists are also interesting, and we found it necessary to study some of them. In particular, Raymond Barr, a foreign economist, describes the stock market as follows. "The stock market, as a technical institution, performs the function of redistribution of free funds, assesses property rights, redistributes risks, redistributes information among participants in the turnover. Therefore, the stock market is a long-term idle capital market that collects and consolidates funds. These funds will be directed to long-term sectors.

<sup>2</sup>Compiled by the master using economic literature.

<sup>3</sup>Rynoktsennyxbumag / Pod .red.E.F.Jukova . - M .: YuNITI, 2003. - P.13.

<sup>4</sup>Mirkin Ya.M. Tsennyx bumagi i fondovyy rynek. - M .: Perspektiva, 1995. - S.100.8

In our view, Raymond Barr sees the stock market primarily as a technical institution, recognizing it as redistributing free cash, risks and information among participants, and understanding it as a long-term idle capital market that collects and consolidates funds. In turn, it says that these funds will be directed to the relevant sectors in the long run.

In particular, Gregory Menkyu, one of the most modern and well-known foreign economists, gives such a description. "In many cases, such a definition of the stock market is common, that is, it is a set of financial institutions that allow anyone to save, and in the stock and bond markets to lend to investors." In this definition, G. Menkyu recognizes the stock market as a set of financial institutions that allow market participants to accumulate, transfer their funds in the stock and bond markets to borrowers, and its definition differs sharply from Raymond Barr's in terms of content. Foreign modern and well-known economists K.R. McConnell and S.L. Brewer describes. In this definition, K.R. McConnell and S.L. Brewer recognizes the stock market primarily as an institution that recommends capital and brings buyers together, and their definition differs from that of previous scholars in terms of content. The securities market ensures the efficient functioning of the whole economy: it helps economic entities to attract investors' financial resources, investors to increase their reserves by investing in financial instruments, and the state to implement its economic policy. The financial market and the stock market are the mechanisms by which financial assets are exchanged through the seller and the buyer meeting.

Brokers act as intermediaries between buyers and sellers of securities on the stock exchange. This mediation role encourages investment in the economy. The stock market makes a significant contribution to efforts to create and support key tools for economic development. It provides the market with a forum, tools and guidelines for stock trading. Exchange brokers have a quick opportunity to act as an intermediary in capital with little or no restrictions. The role of the intermediary in the capital market is the process of mobilizing long-term funds of the population, including funds of companies and organizations, and investing these funds in securities listed on the stock exchange. As a result, issuers and sellers of securities receive funding<sup>5</sup>.

"The securities market is a system of public relations related to the conclusion and implementation of securities transactions.

The stock market is a system of<sup>6</sup> public relations related to the conclusion and implementation of transactions in investment securities (issued securities, investment shares, mutual funds and certificates of participation in mortgages), as well as derivative financial instruments.

The fact that the above definitions were given by the scientist as a result of his conclusions by studying the legislation of the Russian Federation further enhances the validity of these definitions.

According to another Russian scholar, S.Z. Moshensky, "the stock market used to be limited to long-term securities, but now the gap between long-term and short-term securities is disappearing."<sup>7</sup> "securities market" are completely synonymous. In his view, the transformation of stock instruments has affected the shape of the markets to which they belong.

Some scholars have also defined the term capital market in their research. In particular, VV Kovalev described the capital market as a market that accumulates and mobilizes long-term

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<sup>5</sup>Leonard Onyiriuba, Capital Market Dynamics, Securities, and Bank Risk in Developing Economies, <https://doi.org/10.1016/B978-0-12-805479-6.00026-2>, *Bank Risk Management in Developing Economies* Addressing the Unique Challenges of Domestic Banks through Risk Management 2016, Pages 511-533

<sup>6</sup>O.M. Shevchenko - Pravovoe Regulirovanie deyatelnosti po organizatsii torgovli rynki tsennix bumag : Monografiya / - Moskva: OOO «Prospekt», 2017. p. 29.

<sup>7</sup>S.Z. Moshenskiy - Rynok tsennix bumag: transformatsionnye protsessy - Moscow: «Ekonomika», 2010. p. 35.

capital and debt obligations<sup>8</sup>, while AE Dvoretzkaya described it as an optimal allocation of resources, an effective mechanism for directing national funds and investments.<sup>9</sup>

It can be seen from the definitions given above that in fact a more serious analysis of these ideas is expedient. This is because understanding the "thin curtain" between concepts in data analysis in this area has a positive effect on the level of accuracy of the research result.

In addition to the above points, we will try to shed more light on the issue by analyzing the research of Western scientists. This is because in the West, the concept of the stock market is used, not the concept of the stock market. We also witnessed this when we first studied the historical formation of the stock market. That is, we can see that the transformation took a different turn when this term came to us. Therefore, in studying the views of Western scholars, we also analyze the meaning of the terms stock market and the stock market.

American scientists Frederick S. Mishkin, Stanley G. Eakins in the analysis of the structure of the financial market in the eighth edition of the book "Financial Markets and Institutions" studies it in the structure shown in Figure 1.1 below.

These scientists say, "Money - banknotes - moneymarketsnot for sale.Moneyin the markettradedo valuablepapersshorttermandhighliquidthat isbecause they aresimilar to money"<sup>10</sup>he explains. They also define the term capital market as " a market in which equity securities and long-term debt obligations (usually repayable over a period of one year or longer) are traded "<sup>11</sup>.

#### **ANALYSIS AND RESULTS**

It should be noted that in 2014, the Law "On Securities Market" was amended to provide for the conclusion and registration of securities transactions in the organized sale of securities in electronic form without the need to formalize them in writing (on paper). This marked the time for the development of e-commerce in the country and the introduction of modern information technologies on a large scale. The legal basis of the current stage of the stock market of the country is strengthened by the new laws "On protection of the rights of joint stock companies and shareholders", which came into force in May 2014, and "On the securities market", which came into force in June 2015. It is noteworthy that these laws include a number of new rules aimed at ensuring the transparency of data in the stock market of the country and the implementation of transactions in stocks, corporate bonds and other securities, including infrastructure bonds, in an open market.

For example, it was stipulated that all joint stock companies should have their own corporate websites and communicate with shareholders via email. As another example, the new laws regulate the formation of market prices of securities in an organized market (stock exchange) and combine the activities of investment intermediaries and depositories in order to save investors money and time.

The financial market of our country is a product of the rapidly implementing reforms in the country and has its own path of development. One of the main problems for our country is the modernization of production ,attracting investment and ensuring industrial growth. The role and functions of the national financial market in solving these problemsof great importance. It is known from the practice of world that exactlythe financial market is invested to ensure the international competitiveness, security and stability of the national economyin production andfinancial in order to stimulate growth in the economy as a wholeis an effective mechanism for

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<sup>8</sup>Kovalev V.V. Financial management; theory and practice. - 2-e izd., Pererab . and dop. - M .: TK Velbi , Izd-voProspekt, 2007. - 156 p.

<sup>9</sup>Dvoretzkaya A.E. Capital market in the system of financing ekonomicheskogorosta in RossiyskoyFederatsii: avtoref .dis .doct .ekon . nauk: 08.00.10. - M., 2007. - 40 p.

<sup>10</sup>Frederic S. Mishkin ,Stanley G. Eakins - Financial Marketsand Institutions :Eighth Edition, USA, 201 5 . P. \_ 251.

<sup>11</sup>Frederic S. Mishkin ,Stanley G. Eakins - Financial Marketsand Institutions :Eighth Edition, USA, 201 5 . P. \_ 2 0.

attracting resource. Openness , attractiveness , stability of the financial market ,generally highly organized and developed nationally represents the international competitiveness of the economy . All countries have similar characteristics.Financial markets for the purpose of investment in dead financial markets be able to redistribute and ensure trade activitythey compete for it. In this competition, Uzbekistan Finance Although the market is still small , it has a special placewhich the degree to which properties have been gradually achieved by global financial marketsside is improving and evolving.

In order to expand the circulation of corporate bonds, limited liability companies should be given the right to issue corporate bonds, depending on the amount of authorized capital. Because in the real situation, the charter capital and scope of activities of some limited liability companies can meet the requirements for joint stock companies. The low level of corporate governance, the fact that the state retains a large share of highly liquid shares, low interest of investors in public offering of shares leading to capital change, as well as insufficient awareness of potential stock market participants about the activities of joint stock companies affect investors' stock market activityshows.

The Republican Stock Exchange "Tashkent" together with the infrastructure serving the securities market (Central Depository, Chamber of Accounts, second-tier depositories, brokerage offices) will provide free access to investment sources for all stock market entities by further improving the securities trading process. the creator is an organized and continuously functioning stock market.

After all, this institution creates the necessary conditions for the initial placement of securities of joint-stock companies and their free circulation in the secondary market, as well as for investors to carry out the process of trading in securities. Through exchange trades, various sectors of the economy in the form of joint-stock companies established on the basis of privatized enterprises are the real owners and, accordingly, attract large funds for large-scale restructuring and modernization, and newly established joint-stock companies have additional financial resources to implement their investment projects. is happening. Joint-stock companies provide an unlimited amount of investment resources from the domestic and foreign capital markets for the development of the enterprise through the issuance of their securities and their placement through trades on the Republican Stock Exchange "Tashkent"can attract. Assessing the activity of the Republican Stock Exchange "Tashkent" in the formation of the securities market in our country, it should be noted that as a result of its establishment and implementation of trade transactions on the basis of modern technologies, all investors have the opportunity to participate in the securities market. Below is an analysis of stock exchange data.

**Table 2**

**Share of joint-stock companies listed in " Tashkent "RSE <sup>12</sup>**

<b>Indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Total Number of JSCs (units)</b>	1088	714	659	606	603	593	599
<b>Number of listed JSCs (units)</b>	133	261	191	186	132	112	79
<b>Total JSC number (as a percentage)</b>	12.2%	36.5%	28.9%	30.7%	21.9%	18.9%	13.0%

<sup>12</sup>Prepared by the author on the basis of the site [www.uzse.uz](http://www.uzse.uz).

If we look at the data in Table 2.1 above, we can see that during the analyzed period, the number of listed companies in 2015 reached the highest level, ie almost doubled compared to the previous year 2014. The highest level in the analyzed period (2014-2020) was observed in 2015, which is almost 37% more than in 2016. However, it can be seen that the number of AJs has been declining in recent years. The main reason for this was the requirement of the President of the Republic of Uzbekistan dated December 21, 2015 No. PP-2454 "On additional measures to attract foreign investors to joint stock companies" to issue additional shares to be sold by JSCs to foreign investors <sup>13</sup>.

It would not be an exaggeration to say that the stock exchange has a charter. Because, according to this regulation, the Regulation on the official exchange bulletin of RSE "Tashkent", approved by the Board of RSE "Tashkent" on June 24, 2013 № 76, has lost its force, thereby simplifying the procedure for access to quotations on the stock exchange. We know that companies are included in the list of stock quotes by dividing them into categories, " Tashkent " RFB In the above-mentioned exchange bulletin and the exchange quotation list, the " R " category, which did not previously exist in the exchange practice, was included in the exchange quotation list. Previously, RSE " Tashkent " had only three categories " A ", " V ", " C " on the stock exchange quotation list. The lowest requirement in this category is in category " C ", which reflects the following requirements:

"A) the amount of the issuer's authorized capital shall not be less than the equivalent of \$ 400,000 at the exchange rate of the Central Bank of the Republic of Uzbekistan on the date of registration of the issuer as a joint-stock company;

b) the term of the issuer's activity as a joint-stock company, with positive financial results at the end of the last financial year, not less than two years;

c) compliance of the issuer's financial and economic activity indicators with the standards set by the Exchange for this category of exchange quotation list;

g) of the issuer corporate website availability;

d) by the issuer to the stock exchange affiliated individuals r list and other important submission of information (documents) maturity;

e) of the issuer private of capital size charter fund less than 100% of the size lack of it is necessary.<sup>14</sup>

After the inclusion of category "R" in the list of stock quotes, only the requirements for the charter capital were retained, and the requirements for financial results and private capital and the issuance of the necessary documents for the exchange by the issuer were not included. However, in addition, it is planned to submit a "copy of the decision of the President of the Republic of Uzbekistan or the Cabinet of Ministers of the Republic of Uzbekistan on the sale of securities and a copy of the decision (order) of the <sup>15</sup>State Competition Committee of the Republic of Uzbekistan. " It turns out that this change was made mainly for the purpose of privatization of state assets or the creation of favorable conditions for the sale of securities of certain business entities. In addition, the ratio of the intensity of securities trading of issuers during a calendar year (the level of sales of securities) to the authorized capital of the issuer in the exchange trades is also set as a criterion for the categories of exchange quotes. Previously, the lowest requirement in category "C" was that the volume of trades in the issuer's securities in a calendar year should not

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<sup>13</sup>M.B.Xamidulin - Basic directions of optimization of the structure of financing of the economy of Uzbekistan, Modern science: current problems and ways to solve them. 2016. № 4 (26), s-4.

<sup>14</sup>"Tashkent" Regulations on the Exchange Quotation Sheet approved by the Supervisory Board of JSC RFB on May 4, 2020 №7 - <https://uzse.uz/legislations/187?locale=uz>.

<sup>15</sup>"Tashkent" Regulations on the Exchange Quotation Sheet approved by the Supervisory Board of JSC RFB on May 4, 2020 №7 - <https://uzse.uz/legislations/187?locale=uz>.

be less than 0.2% of the charter capital, as well as securities transactions should be made monthly, these two requirements for category "R" also not included.

However, in recent years, despite the simplification of listing conditions, we are witnessing a decrease in the number of listed JSCs. This, of course, is due to the fact that the requirements for the charter capital of JSCs in Uzbekistan are increasing from year to year, as evidenced by the quality of Table 2.1 above, which shows that the number of JSCs in the Republic of Uzbekistan tends to decrease from year to year.

The increase in the share of the secondary market in the exchange turnover is a key factor in the intensification of transactions in securities of commercial banks in this market. In particular, since the beginning of the year, Ipoteka-Bank, which belongs to the "A" category of the quotation list, has issued 43 billion soums. soums, Asia Alliance Bank - 12.6 bln. soums and 6.2 bln. soums of InFinBank JSCB. UZS were traded on the secondary stock market. During the reporting period, the share of primary placement of securities in the total exchange turnover was 41.2%.

As an integral part of the country's financial system, the stock market is seen in the scientific work of a number of economists as a mechanism for the movement of free cash. It allows the borrower to raise funds to purchase capital. Definitions of the nature of the stock market are not limited to these approaches. This type of market emerged with the emergence of demand for a new form of money circulation during a certain period of development of the market economy. In the context of modern market relations, the formation of the stock market begins with the growth of the weight and role of money capital, the development of loan capital and credit relations, the resolution of conflicts arising in the process of restriction and free movement of capital.

### **CONCLUSIONS**

The securities market ensures the efficient functioning of the whole economy: it helps economic entities to attract investors' financial resources, investors to increase their reserves by investing in financial instruments, and the state to implement its economic policy. The financial market and the stock market are the mechanisms by which financial assets are exchanged through the seller and the buyer meeting.

According to the share in exchange trades and the number of exchange transactions, stock, bond and REPO transactions were included in the group of "active instruments". While the share of derivative securities and certificates of deposit in the funds allowed by law is included in the group of "inactive" instruments because they are insignificant, infrastructure bonds, receipts, promissory notes and treasury obligations are classified as "introduced but not used" because they do not trade at all. Widely used instruments and operations in international practice, in particular, IPOs, mergers and acquisitions (M&A), venture financing, securitization of startups, mortgage certificates have not been introduced in the national economy, including despite the readiness of the stock market.

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