

**CHARACTERISTICS OF STOCK MARKET DEVELOPMENT AND
RELATIONSHIP WITH ECONOMIC GROWTH**

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ABSTRACT

The content of the developing stock market, the specific features of its operation and its connection with the economic growth indicators of the countries are studied in the article, and the recommendations aimed at improving the functioning mechanisms of the stock market in the Republic of Uzbekistan are reflected.

Keywords: stock market, securities, stock capitalization, market capitalization, stock market infrastructure, investment decisions, macroeconomic indicators, market risk.

Introduction

One of the important segments of the market economy is the stock market, which serves to place temporarily idle funds in securities and ensure their target location through redistribution. Such goals can be achieved only when all types of securities, both traditional and non-traditional segments of the stock market, are effective. At the same time, transactions including all operations such as placement of securities and trading with them are mainly carried out by commercial banks. This, first of all, ensures the increase of their authorized capital, and secondly, free capital abroad is mobilized with the help of commercial activities in the markets. Therefore, at the same time, for the full and effective functioning of all instruments of securities, the development of the infrastructure of these markets is required to be raised to the state level based on the requirements of the times. In our country, a deeper analysis of the factors affecting the development of the infrastructure of the stock market and the fact that specific goals aimed at human interests are defined in it clearly indicate that this task has been elevated to the state level. Specifically; President of the Republic of Uzbekistan Sh.M. Mirziyoyev "... development of financial markets, including the stock market, should be one of our main goals in the new economic conditions. ... It is necessary to further expand the scope of banking services by introducing new financial instruments and issuing bonds, to develop the banking system on the basis of advanced information technologies" [1], and it is precisely this that drew the attention of experts and the general public. focused on the further development of the national stock market.

The above circumstances serve to ensure the high liquidity of securities issued to these markets, the level of market capitalization, profitability, and capital increase in order to develop the infrastructure of stock markets based on the requirements of the times.



Another characteristic feature of stock markets is their dependence on the level of risk. Therefore, it is necessary to analyze the factors affecting the effective development of the infrastructure of the stock market and to study its specific features.

At the moment, stock markets and their efficient operation, their participants, and types of highly liquid securities with international status in circulation are important. The development of stock markets is directly related to the level of infrastructural development of the state, first of all, if it leads to high-speed development by ensuring the integration of the national stock market into international stock markets, and secondly, by bringing the high liquidity and financial stability of commercial banks to international standards. will come.

In the conditions of the market economy, the essence of economic concepts is defined by scientists and experts through debates, scientific-theoretical views, combined with the ideas of that time, their functions, principles, specific features, characteristic aspects, market segments and their from the point of view of economic relations between its participants, a deeper scientific justification is being improved and brought into a system, it is being developed on a scientific basis in accordance with the requirements of the time and fundamental factors. In particular, the economic essence of stock markets was created by economists who lived in different periods through their different ideas. However, each economic category is constantly improving based on modern factors. Today, the global stock market is performing additional unconventional, modern, new and diverse functions. From this point of view, it is appropriate to study its economic nature in depth, taking into account the theoretical scientific views of several economists, current modern factors and other specific aspects.

Literature review

It is known that the economic situation of any country depends on the activity of various financial institutions that exist and operate in it. Exchanges, banks, insurance companies, pension funds - all these are institutions that act as intermediaries (brokers) between buyers and sellers of various categories of money, credit and debt, commodities, highly liquid securities and the like [2].

Financial instruments (as a means of increasing the bank's capital, its liquidity, the level of market capitalization) are instruments that ensure the movement of financial resources from investors to consumers and vice versa.

"The movement of resources with the help of financial instruments depends on the following factors" [3], according to Sh.Sh. Shokhazami's work:

- profitability and risk level of financial instruments;
- conditions for taxation of financial instruments;
- financial instruments are provided with a real basis and, on this basis, the equivalence of the economy and the financial market;
- selected model of development;
- macro-microeconomic stability;
- other factors affecting the market of financial instruments.



Also, according to I.L. Butikov: "From today's point of view, three main reasons can be seen in the division of banks and dealers by securities. First, it seems very risky to get banks into the business of guaranteeing the placement of securities. Second, the situation is alarming, and the role of banks as underwriters directly leads to an alarming situation of conflict of interest. Thirdly, the alarming situation mainly reflects the growing concentration in the financial sector" [4].

According to R. Khozhimatov, state banks in the country coordinate the activities of commercial banks in the securities market, and their positive influence on the development of stock markets is extremely important. Due to the specific features of the development of stock markets, the wide introduction of non-traditional instruments of commercial banks plays an important role in increasing their efficiency. In particular, "first of all, to develop the stock markets in our country, to make the markets equal to the norms established to increase the position of the capitalization of commercial banks and market capitalization at the international level, through the wide introduction of non-traditional instruments of highly liquid securities, the world's largest international finance - in order to expand the opportunities to reach an equal level of competition with credit institutions, it is necessary to put into circulation their highly liquid traditional bonds" [5].

Also, according to R. Khozhimatov, in order to ensure economic stability in our country and increase the liquidity of banks, it is necessary to develop the integration of highly liquid traditional bonds of commercial banks into stock markets and international markets. In order to ensure macroeconomic stability in our country, it is extremely important to increase the independence of the Central Bank transmission channels in order to increase the effectiveness of the transmission channels by switching to inflation targeting.

Ch. Kulmatov, who studied the modern trends in the development of the international capital market. And according to N. Toychiyev, "the international capital market is a product of the process of financial globalization, which has dramatically increased the economic efficiency of industrial countries on a global scale. However, it is now clear to everyone that this process has more negative than positive effects on the development of developing countries. This is because the economy of developing countries is more dependent on the economy of industrialized countries" [6].

In the economic literature, the stock market and the stock market are interpreted as concepts with the same content. For this reason, we believe that it is appropriate to first study the coverage of these concepts in the scientific works of economists-scientists who conducted research in different periods.

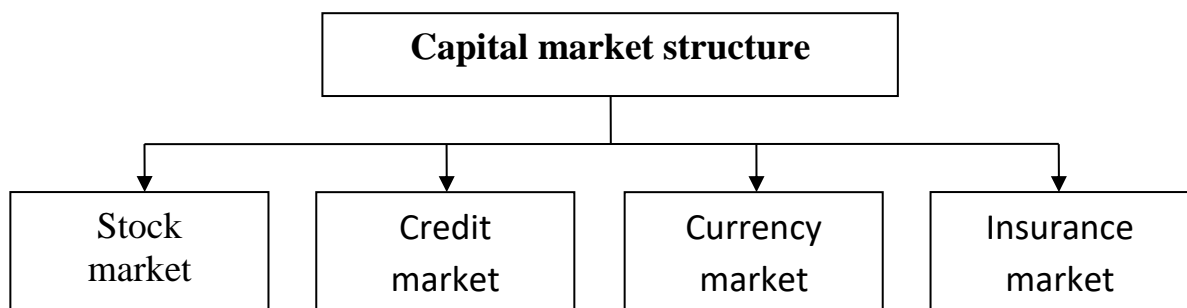
Many economists have conducted scientific research on the economic essence, necessity, classification of the capital market and its role in ensuring economic growth in the country. According to U. Azizov, one of the leading scientists of the field, the capital market is of great importance in the attraction of idle funds of the population to economic sectors, and in the increase of the flow of foreign direct investments. In turn, the fact that the stock market competes with the credit market as a component of the financial market creates a unique competitive environment in the capital market. In addition, the population will benefit due to the increase in economy and well-being [7]. According to another leading



economist, professor S. Elmirzayev, cash, short-term means of payment, and short-term savings up to one year are organized in the money market. In the capital market, the circulation of "long money" is organized, in which mainly stocks and bonds are valid. The transaction period is more than one year. The main difference between the capital market and the money market is explained by the use of long-term investments [8]. Another economist, H. Khasanov, believes that the main criterion for determining the economic essence of the capital market is the interdependence of functions related to the redistribution of capital between market participants and the transformation of capital from savings to investments [9].

Modern economists N.I.Berzon, E.A.Buyanov explained the capital market as an integral part of the general market of production factors. They believe that to understand this, it is necessary to define the content of the category of "capital". That is, it is accepted that capital is money, wages, investments for the development of production[10]. According to professor G. N. Beloglazova, a scientist who served in the Russian Federation, "The capital market is a part of the financial market in which long money, that is, funds with a term of more than one year are in circulation" [11].

According to A.Shomirov, "some time ago, real assets were considered as the basis of profit or income, but today the term capital mainly means the assets of corporate structures in the form of money and securities. Therefore, it is reasonable to define the capital market as "the economic space where transactions with money and fund assets are carried out"[12]. A. Shomirov describes the capital market structure as follows:



Picture. Capital market structure

Certain conditions must be created for capital market segments to operate effectively in the country's economy. The largest segment of the capital market is the foreign exchange market, as it carries out a large number of transactions. The foreign exchange segment serves foreign trade operations, and the most speculative operations that generate income from exchange rate fluctuations are carried out here.

The second largest segment of the capital market is the market of insurance services. A large part of the income comes from the contributions of insurers. Companies that provide this type of service can be of various sizes, but the largest players are multinational companies. It serves the interests of the manufacturing sector as well as the household sector.

Another important segment of the capital market is the stock market. After all, the stock market is one of the most important sources of financing and is generally recognized as a



barometer of the economy [13]. It trades various types of securities, as well as derivatives - futures and options. This segment encourages depositors to more active investment activities and, most importantly, allows redistribution of funds. Representatives of the real sector often keep part of their financial assets in securities in order to obtain additional financial income. In addition, they use investment portfolios that allow them to spread risks and returns over different time periods.

Analysis and Results

Stock market activity around the world is constantly influenced by government intervention policies. In the first half of 2020, after countries around the world declared the COVID-19 pandemic, stock markets were also lower than levels during previous global financial crises (e.g., 1930s, 1987, and 2008) and during the Spanish flu, SARS, and Ebola pandemics. recorded unprecedented high volatility [14].

Due to the fact that securities constitute a group with the largest and separate market, unlike other types of financial instruments operating in the financial market, its study requires a special approach.

Despite the fact that securities have already proven their importance, role and functions in the economy, there are still heated debates about their content. Since the stock market is at the same time the object of market circulation and has the property of giving obligations to the parties along with property and other types of rights, in determining their economic nature, both economic and legal aspects of this economic event should be considered. It would be appropriate to think about an integrated approach.

The concepts of stock market and stock market are often found in economic literature and conversation. Economist E. Zhukov believes that "currently there are three markets of securities participating in the financing of the economy: over-the-counter, fund (exchange) and street market" [15].

Based on the above definitions, we believe that it is appropriate to consider "stock market" and "stock market" as concepts with the same meaning. At the same time, securities move on the stock market (stock market).

The stock market is a sector engaged in the issue of securities and their trading, and a set of financial relations in the circulation of securities. It consists of collecting and distributing financial funds necessary for production and technical development, attracting investments of legal and physical persons, increasing them and ensuring the modernization of the economy by directing them to economic sectors [16]. Also, the stock market and the intermediaries operating in it are a component of the financial system and provide an opportunity to accelerate the process of redistribution of excess funds from investors to consumers.

Since the stock market is at the same time the object of market circulation and has the property of giving obligations to the parties along with property and other types of rights, in determining their economic essence, it is an integrated system that includes both economic and legal aspects of this economic event. it would be appropriate to think about the approach.



Collecting idle funds in the stock market, turning them into loan capital, and then distributing it among the participants of production processes (banks, enterprises, firms, as well as the population of the country): securities, trading operations are carried out with shares of enterprises and state bonds. The stock market includes a set of banks, stock exchanges and other financial and credit institutions that participate in the redistribution of monetary capital. The capital market, together with the money market, is a source of external capital for the sectors of the economy and the government, and forms the demand and supply of loan capital.

The capital market also deals with short-term securities of companies and the state. The capital market is attended by sellers and buyers of securities, specialized stock brokers, trade and commercial banks, the central bank, pension funds, insurance companies, investment companies, industrial enterprises, foreign investors, enterprises, and organizations. There are international and national capital markets, depending on the sources and areas of inclusion (currency market, stock exchange).

The capital market performs two main functions:

a) primary market or new issue market, in which the capital needed for investment and other purposes is formed by issuing new shares, bonds and other securities;

b) secondary market, where transactions are carried out with existing securities. The secondary market facilitates the transfer of securities from sellers to buyers. The capital market occupies an important place in the financial system of the country and serves as a mechanism for turning the accumulated funds of the population into investments and investments into a portfolio of securities. "Tashkent" stock exchange, which has more than 200 brokerage offices in Uzbekistan, has been engaged in securities trading since 1994.

The capital market (stock market) as the main link of the financial system is an important factor affecting its stability and increasing the country's competitiveness. Therefore, in developed countries, it is widely used as one of the main means of attracting investment to the economy. After all, if the capital market does not develop, all efforts to create a competitive economy and increase investment activity will be ineffective. In this sense, the Decree of the President of the Republic of Uzbekistan dated April 13, 2021 No. PF-6207 "On Measures for the Further Development of the Capital Market" defines specific tasks for the development of the capital market in our country. It can be said that it was an important step in the development.

Any business entity, be it an individual or a legal entity, often needs additional financial resources to carry out any business activity. We know that today, as a source of financing for many socio-economic projects, state funds or loans from commercial banks serve as the main support. Therefore, one of the main tasks facing our government in the development of the financial market is the development of the capital market, in some sense, turning it into an effective element of the market economy and putting it into action. Decree of the President of the Republic of Uzbekistan dated April 13, 2021 No. PF-6207 "On measures to further develop the capital market" and the Decree of the President of the Republic of Uzbekistan 2022 It is appropriate to refer to Decisions PQ-90 dated January 17, "On additional measures to introduce effective mechanisms for supporting the capital market".



These regulatory documents define the main directions of capital market development, which are as follows [17]:

- increasing the competitiveness of the capital market and increasing its capitalization to 45 trillion by the end of 2023. creation of an efficient financing mechanism that is an alternative to bank lending;
- increasing the comfort of the capital market for all categories of investors by actively integrating with international financial markets, using modern information and communication technologies and applying advanced approaches that have been successfully tested abroad;
- by ensuring the harmonious functioning of the capital market and the development of all its segments, by the end of 2023, within the framework of republican and regional investment programs, the part of projects financed by issuing securities will reach 5%;
- introduction of advanced international practice in the field, creation of necessary conditions for active financing of investments aimed at development goals in the stock market by eliminating excessive barriers and restrictions;
- creating a legal framework that ensures the integrity of capital market regulation and prevention of systemic risks, introducing international criteria and experiences;
- development of the system of providing the capital market with personnel that meets modern requirements, creating attractive conditions for attracting promising, including foreign, specialists;
- training and re-training of industry specialists for the capital market, systematically setting up their professional development;
- coverage of 40,000 people by the end of 2023 within the framework of programs to support the improvement of knowledge, skills and financial literacy of minority investors, other participants of the capital market and the general population.

Conclusions

The experience of developed countries shows that an efficient stock market is one of the factors that positively affects economic growth. A developed stock market allows enterprises to properly assess and diversify risks in financing projects requiring large investments, and to attract funds effectively. In addition, the stock market can serve as an indicator of economic trends, which allows stakeholders (including the government) to develop and effectively implement their own strategies.

One of the main elements of the state regulation of the stock market is control over the implementation of the legislation on the stock market by its participants. It is necessary to methodically systematize control elements to summarize the experience of supervisory bodies and the activities of securities market participants. Based on the above, in our opinion, the system of state regulation of the stock market can be divided into indirect (direct) and direct methods [17].

As a result of studying the process of transformation of the developing stock market into a developed market, the main economic, technical and political problems of this process were identified.



Economic problems include solving the problems of economic development, in particular, increasing the level of financial saturation of the economy, developing the collective investment system, and stabilizing macroeconomic indicators.

The analysis of developing and developed stock markets showed that the more saturated the economy with monetary resources, the higher the component of securities in economic turnover, the higher the capitalization of the stock market in relation to GDP.

The development of the stock market directly depends on the policy of promoting economic growth, but developing countries do not always carry out the correct and competent policy. In modern conditions, the economic growth of the country directly depends on the dynamic integration of the goods and financial markets of this economy into the world markets, which in turn requires the liberalization of the markets. However, liberalization of the financial sector should be carried out in a proportionate sequence, taking into account the scale of market risk.

The technical tasks of transforming a developing stock market into a developed market are as follows: providing the necessary infrastructure for effective integration into the world stock market and improving the legal framework regulating activities in the stock market. A problem common to many developing stock markets is that in developing countries, the state and society needed to develop the stock market infrastructure are usually insufficient, and there is no government support. Therefore, the development of the stock market directly depends on how relevant and important it is for the country, and this is reflected in the desire and determination of the state. Also, the political support of the state is especially important in the form of protection of the interests of the national stock market in the international financial markets.

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