

# Stock Market as the Main Segment of Capital Market

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***Abstract---** The article covers the full use of the financial and banking system, including the capital market, to improve the competitiveness of the national economy and the modernization of the economy, and to bring this system to a new level.*

***Keywords---** Financial Security, Stock Exchange Activity, Stock Exchanges, Economic Management, Initial Capital Accumulation.*

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## I. INTRODUCTION

It should be noted that increasing the competitiveness of the country's economy and modernizing the economy requires the full use of the financial and banking system, including the capital market, and raising this system to a qualitatively new level.

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To this end, the development of the stock market as an alternative source of capital and the placement of free resources of enterprises, financial institutions and the population is identified as one of the key objectives of the Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021.

The Address of the President of the Republic of Uzbekistan Sh. Mirziyoyev to the OliyMajlis on the most important priorities for 2019 also states that the development of financial markets, including the stock market, is one of our main goals in the new economic environment.

As an initial stage of reforms in this area, based on the experience of other countries, the Presidential Decree No. 5630 of 14.01.2019 established an independent state body - the Capital Market Development Agency, whose main tasks are the formation, development and regulation of the securities market. and the implementation of a unified state policy in the field of corporate governance.

According to the Capital Market Development Agency, the total nominal value of shares issued today is more than 100 trillion soums, of which only 1.5% are in free circulation. That's less than 1 percent of gross domestic product, up from 188 percent in Singapore, 112 percent in Malaysia and 34 percent in Russia. This shows that the

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capital market in Uzbekistan has great potential to increase the quality and quantity of the role of intermediaries between investments and funds in the country's economy.

This requires the development of a long-term strategy for the development of the capital market, which provides for the issuance and circulation of securities, a wide range of measures to attract investment, develop corporate governance and increase financial literacy of the population.

This strategy eliminates the obstacles to the development of the stock market, harmonizes the laws and regulations governing the market with the requirements of developing countries ("frontiers market"), the financial market, which includes brokers, pension funds, insurance companies, banks. creation of a system, the formation of effective institutions used in the world experience of attracting idle funds of the population to the stock market.

It is noteworthy that in 2019, with the support of the European Bank for Reconstruction and Development, the Asian Development Bank and a number of other international experts, a draft strategy for the development of the Uzbek capital market for 2020-2025 was developed and discussed among the general public. One of the main tasks of this strategy is to increase the ratio of total free-floating securities to GDP by at least 10-15% by the end of 2025.

To achieve the set tasks, expand and diversify the investor base, increase the demand for securities by improving financial literacy, increase the number of issuers and expand the supply of securities through new financial instruments, improve the legislative and regulatory system, capital market Improving infrastructure and strengthening the institutional capacity of the capital market coordinating body should be identified as key areas of the strategy. Therefore, it can be said that one of the main tasks for the next year is to adopt this strategy and ensure the continuity of implementation of the measures set out in it.

The successful implementation of this strategy will increase the share of free-floating securities to 10-15% of GDP, the widespread introduction of new mechanisms such as full use of the stock market as an alternative source of financing investment projects, the dependence of the economy on the banking sector. It is expected to address such important and pressing issues as reducing the participation of the private sector in the economy, attracting additional funds from the hidden turnover and, ultimately, ensuring the rapid growth of the Uzbek economy.

## **II. MATERIALS AND METHODS**

The stock exchange is a separate organized market for securities. It has a long history of development. For more than four hundred years, the form of stock exchange trading has changed, and the role of the exchange itself in the economic and political economy of the society has changed. Exhibition fairs were the fairs of the exchanges, constantly improving trade mechanisms in their development. In the fifteenth century, Venice, Genoa, and Florence exhibited a great reputation. Commodity exchanges were developing with them. During the transition from feudalism to capitalism, there was a strong demand for a special instrument that would link economic relations and regulate the supply and demand for debt. Such an instrument - the stock exchange – was formed in the sixteenth century with the development of trade between Spain and the Netherlands. The stock market has emerged as a regular market for trading certain goods, which are not directly marketable, with documented qualitative and quantitative features and prices that are formally established on demand and supply. Trading on the exchange is

carried out not only with ordinary goods, but only with goods that meet certain requirements, such as the goods being of the same quality, quantity, volume or weight, and any other goods of this category would have to be replaced. In 1531 Antwerp, London in 1566, and Amsterdam in 1608 were organized. The growth of commodity exchanges has led to the separation of certain exchanges from their ranks. They traded only their own unique commodity - securities. Initially, such exchanges functioned as auxiliary subdivisions of commodity exchanges. However, the expansion of foreign exchange operations and the emergence of commercial representatives in the market have led to the establishment of specialized stock exchanges - stock exchanges. The emergence of the first stock exchange is calculated by historians from 1592, when the list of securities prices submitted to the stock exchange in Antwerp was published. At the end of XVI-XVII works on the exchanges appeared new commodities - government securities, and with the advent of East-Ind in England and West-Ind companies in the Netherlands, the first shares appeared. In 1792, the largest stock exchange in the world, the New York Stock Exchange, was established in the United States. A number of other European exchanges have since been established. Economists estimate that the initial stage of the development of stock exchanges lasted 200 years. At the time, exchanges played a major role in the economy of the most developed countries. Exchange operations, in turn, have contributed to the expansion of international trade, the acceleration of the initial capital accumulation, and the transition from a feudal way of production to a market society.

However, in the first half of the nineteenth century, the stock exchange was still second-class in the capitalist system of economic management. Most of the securities were government bonds at that time. In Europe, joint-stock banks have developed. The construction of the railway was just beginning, and the joint ownership of the property was in its early stages. The industry dominated individual and family businesses. The growth of large industries, the emergence of the class of millionaires, and the rapid development of commercial transport and railroads have changed. Specifically, the capitalist's funds were not limited to expanding his own business. At the same time, the stock of the newly established companies will be repurchased, not for real capital, but for quicker sales. The stock market has been plagued by widespread tensions and tensions. The reasons for this varied. Securities are usually linked to real capital and stock prices are formed under the influence of supply and demand. The general economic situation, political events, as well as the reaction of exchange traders, who have widely used the media and other methods of influencing the securities traders, have been greatly influenced by them. There have been many examples in history of misinformation about the state of affairs in joint stock companies. As a result, the minority people suffered most. Exchange operations were not regulated. The Office of Protection of Minority Rights was virtually non-existent. That is why the 19th century stock market is sometimes called the "wild" stock exchange. In the late nineteenth and early twentieth centuries, there was rapid growth in production and market revival. In the post-war period, industry and commerce began to grow rapidly. The dramatic increase in the circulation and trading of precious metals reflects these processes. Tens of millions of medium and small private investors have been involved in stock trading, including credit. Exchanges of stock exchanges rose sharply in the first thirty years, except for the first years of war. At that time, the leading stock market institutions in the stock market were in the same position. The collapse of the New York Stock Exchange in October 1929 gave rise to the global economic crisis of 1929 - 1933. Most of those who spend their money on securities have gone bankrupt. The economy of

AKD1 and a number of other non-state enterprises around the world has come to an end. A number of reforms have been undertaken since the 30s in the United States and later in other countries to regulate the securities market, in particular, the stock exchange. State control over the activities of stock exchange participants has been established, and a strict action plan for issuers to sell their shares on the exchange has been developed. The purpose of such actions is to protect the stock exchange and protect the rights and interests of investors. In the last 50 years of the 20th century, great changes have taken place. During this period many key indicators of stock exchange operations, such as the object and type of operations, technical level, and geography of operations have changed. A number of new major trading centers have opened in Southeast Asia. Internationalization of the stock exchange systems of different countries increased, and there were shifts in the ratio of forces between the various stock exchanges of the world. Stock exchanges, in many ways, contribute to their growth, reflecting the development of real capital. The activity of the exchanges encourages the distribution of securities to a wide range of investors, thus helping to improve the material condition of a large part of society. Exchanges ensure the flow of investments from one sector to another, and their concentration on the most promising sectors.

### **III. RESULT AND DISCUSSION**

In its activity the stock exchange is guided by the legislation, the charter of the exchange and the rules of exchange trading, agreed with the authorized state body on regulation of the securities market. The stock exchange is registered in accordance with the law and obtains a license from the authorized state body for the management of state securities for stock exchange activities. An organization that is not licensed for exchange activity is not entitled to engage in such activity. Other exchanges that meet the requirements of stock exchanges in accordance with the legislation have the right to establish stock divisions in their structure on the basis of a written report of the authorized state body on regulation of the securities market. The requirements for the establishment and operation of stock exchanges in other exchanges are set by the legislation. Founders of the stock exchange may be legal entities and individuals with a license (license) to carry out professional activities in the securities market. Members of stock exchanges may be professional securities market participants who have bought the broker's place on the exchange. The number of stock exchange members is controlled by the Exchange's governing bodies. Members of the stock exchange may not be government bodies, prosecutors and courts, their executives or specialists. Trading on stock market members is permitted only after they have the appropriate license to operate in the securities market. Another stock exchange member is licensed to act as an investment intermediary in the securities market, and has the right to participate in trades organized by stock exchanges.

The rules of the exchange trading with securities are approved by the supreme body of the exchange in coordination with the authorized state body on regulation of the securities market. The rules should include:

- The principles of securities trading on the exchange;
- Composition of bidders and set of requirements to them;
- Place and time of exchange trades;
- The order of sale of securities for exchange trading;
- Description of exchange deals;

- Types of orders (orders) issued by clients to brokers;
- Procedure for checking and accounting of transactions;
- Sales organization;
- Order of registration and execution of transactions;
- Examples of contracts, reports, orders and notifications, and other exchange documents used for the circulation of securities.

Stock departments of stock exchanges and other exchanges act on the basis of their charter (charter of the department) coordinated with the authorized state body on regulation of securities market, internal regulations on securities trading.

The Stock Exchange has the following rights:

- Establishment of minimum mandatory requirements to professional participants of the securities market, required for membership in the exchange;
- Defining the qualification requirements for members of stock trades;
- Convening and organizing meetings of members of the exchange;
- Establishment of expert, qualification, listing, control, arbitration committees, advisory and information bureaus and other institutions necessary for their work;
- Fixing and charging fees for technical maintenance of registration of collection and current fees paid by exchange members in accordance with its charter, for regular and regular clients exchange, collection of fines and penalties for violation of the exchange charter, rules of exchange meetings, untimely payment of registration fee;
- Publishing stock bouquets, directories and collections;
- To appeal in judicial procedure against illegal actions of controlling bodies. Financial security of stock exchange activity:
- Sale of stock and shares of stock exchange;
- Selling brokerage positions on the stock exchange;
- Regular membership fees paid by stock exchange members;
- Fees for registration of exchange deals;
- Income from rendering of information services and other related services provided by the charter of the exchange.

The organization of exchange trading the sessions on the stock exchange are conducted through sessions. This means that you cannot simultaneously trade various types of securities on the stock exchange. For example, a special session will be held for bank stocks, and another session on bonds will be held. Trading securities are usually known to start trading and are announced by the quotation commission.

Then the trade begins. Bidding can be conducted in a variety of ways, for example:

- Group sales, that is, daily trading and purchase requirements and are traded once or twice a day;

- Continuous, ie, requirements for sale and purchase are continuously compared, and if applicable, they may be traded at any time of the session.

The market of stocks and bonds, which represents the share and debt relations, occupies a special place in the securities market of our country. The following are the ratios of these markets for 2007-2013.

Table 1: Dynamics of the Ratio of Equity and Debt Corporate Securities Markets in the Republic of Uzbekistan<sup>1</sup>

№	Years	Stock market		Bond market	
		Volume (billion soums)	share in%	Volume (billion soums)	share in%
1	2007 y	400,8	98,2	7,1	0,17
2	2008 y	705,7	99,6	2,6	0,04
3	2009 y	748,1	99,8	1,5	0,02
4	2010 y	1477,3	87,9	203,8	12,1
5	2011 y	1501	93,6	102,6	6,4
6	2012 y	1987,4	94,9	106,1	5,1
7	2013 y	910,4	93,1	67	6,9

From the data in Table 1 above, we can see that the stock market is a major part of the stock market. In 2007, 98.2% of the stock and bond markets were traded for \$ 400.8 billion. The stock market accounted for 0.17% to 7.1 billion soums. soums in the bond market. By 2013, we can see that the bond market is relatively growing. In 2013, 93.1% of the stock and bond markets or 910.4 billion soums were traded. The stock market accounted for 6.9% to 67 billion soums. soums in the bond market.

The Center has developed three regulatory documents, which are registered with the Ministry of Justice of the Republic of Uzbekistan:

- "Regulations on investment licensing of institutions in the securities market";
- "Regulations on re-certification of individuals for the right to conduct securities transactions";
- "Procedure for the sale of shares of privatization investment funds to the public in the initial liquidation."

Qualified participants of the securities market: financial brokers, dealers, investment advisers, investment companies, investment funds, management companies, depositories, clearing houses, registrars of securities holders, nominal custodians of the republic. stock exchanges and other types of investment institutions constitute the infrastructure of the stock market.

It should be noted that at present, the primary issue and placement of shares among primary investors for the securities market of the republic is typical.

The secondary stock market is emerging in Uzbekistan. The stock market in our country, like all developed stock markets, is facing great difficulties. The first is the liquidity of securities. Therefore, it is necessary to improve the organization of market liquidity, develop the structure of stock and over-the-counter markets, reduce the circulation of securities and their costs, increase access to information. Currently, there is a growth trend in the volume of trades in the primary and secondary securities markets.

<sup>1</sup> Taken from the presentation materials of Prof. Butikov, who spoke at a scientific seminar organized by TMI and TSU on 29.05.2014

First of all, it is necessary to bring the work of the stock exchange to the level of world standards, to introduce the procedure of listing and quotation of securities, to create automated communication systems of the main structures of the stock market: exchanges, depositories and clearing houses.

Particular attention should be paid to the creation and activation of investment companies engaged in underwriting and dealer operations.

Table 2: The Ratio of the Primary and Secondary Stock Markets in the Republic of Uzbekistan

№	Years	Primary market		Secondary market	
		Volume (billion soums)	share in%	Volume (billion soums)	share in%
1	2007 y	268,9	67,1	131,9	32,9
2	2008 y	483,4	68,5	222,3	31,5
3	2009 y	560,4	74,9	187,7	25,1
4	2010 y	930	63	547,3	37
5	2011 y	634,8	42,3	866,2	57,7
6	2012 y	1148,4	57,8	839	42,2
7	2013 y	748,9	82,3	161,5	17,7

Table 2 above shows the ratio of primary and secondary stock markets in the Republic of Uzbekistan for 2007-2013. According to this table, in 2007 67.1% of total shares, or 268.9 billion 32.9%, or 131.9 billion soums, were sold in the primary market. We can see that the sum was sold on the secondary market. We can see that the ratio of shares in the primary and secondary markets has changed over the years. For example, in 2013, 82.3% of the total shares, or 748.9 billion.soums in the primary markets, 17.7% or 161.5 bln. We can see that the sum was sold in the secondary markets.

It is necessary to attract a significant part of investments in the economy of our country through the IBRD. To do this, it is necessary to create an effective, attractive investment climate, improve the infrastructure of the national ICRC, increase the number and liquidity of financial instruments in circulation, maximize the market for investors, reduce transaction costs, further improve existing regulations and gradually bring trading systems up to world standards. adaptation and integration are needed.

Figure 1 below provides an analysis of the performance of joint stock companies (JSCs) in the country.

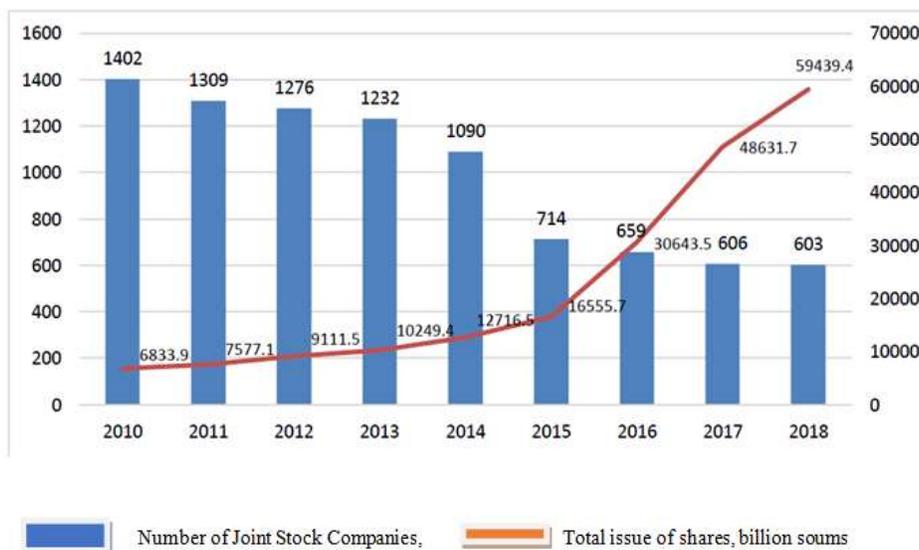


Figure 1: Changes in the Total Volume of Issues of Joint Stock Companies and Shares (General Charter Capital of JSCs) [6]

As can be seen from Figure 5 above, the number of joint stock companies in the country has a steady downward trend. In 2010, the number of joint stock companies was 1,402, while in 2015 this figure decreased to 688 and amounted to 714. The latter was 659, 606 and 603, respectively, in 2016, 2017 and 2018.

The analysis shows that the volume of issues of joint-stock companies in our country has a steady growth trend. Although the number of joint stock companies has been steadily declining, the volume of share issues has been steadily increasing in the 2010-2018 years analyzed. The total volume of share issues in 2010 amounted to 6833.9 billion soums. By 2018, this figure will reach 59,439.4 billion soums. soums. As a result of these issues, the initial sale of shares has only increased in recent years.

#### IV. CONCLUSION

In conclusion, it should be noted that in the context of diversification and modernization of the current economy, a sufficiently effective mechanism has been created for the development of the secondary securities market. At the same time, the development of the national stock market of the country, including the extensive study and implementation of the experience of developed financial markets, contributes to the development of the secondary stock market.

In general, it should be noted that the development of QQBSTs depends not only on the mechanism of their operation, but also on the impact of many internal and external factors on the development of the country's economy as a whole and as a part of it.

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