

DEVELOPMENT OF THE STOCK MARKET REPLACES FINANCIAL SECURITY

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Abstract: *The relevance and scientific and practical significance of this topic is insufficient knowledge of the theoretical and practical aspects of improving the infrastructure of the stock market in Uzbekistan is not sufficiently studied as an independent, independent research facility, determines the relevance of the chosen topic. In the opinion of the author, in the conditions of the current modernization of the economy it is especially important to create conditions and establish a mechanism for access to the world stock markets and have a share in it.*

Keyword: *securities (stocks, bonds), investments, stock markets, market-makers, underwriting operations, transfer agency, clearing houses, factorial trade turnover, stock index.*

The development of the secondary securities market, based on the characteristics of the selected model of the formation of the national securities market, has a crucial importance that will ensure the economic stability and competitiveness, and increase the flow of investments. The need to increase the role of the VAT in Uzbekistan in the economy is determined by: The share of capital investments in the total investment by means of the NPV did not exceed ten percent in the past few years, and the ratio of stock market capitalization to GDP was 0.8 percent and trade turnover was 0.2 percent. stable macroeconomic and active investment policies. Therefore, it is important to analyze, evaluate, assess trends in development, learn from experience of developed countries. The key issue in the stock market analysis, which is a key element of the securities market, is the focus on project finance and development of the economy through emission of shares. However, the results of the current practice in the securities market indicate that its participants and market operations do not fully reflect the existing economic opportunities. It is crucial to attract investment in the economy, to apply effective financing methods, to establish direct links with international financial institutions, and to enhance the role of the securities market in financing the investment activity. On the basis of active investment policy of our country, it is crucial to further develop the securities market, ensure its transparent and stable functioning, activate attraction of investments by managing subjects, increase market activity of joint-stock companies, improve corporate governance and protect the rights and interests of shareholders. In this regard, the President of the Republic of Uzbekistan Sh. M. Mirziyoev in his appeal to the Ombudsman critically assesses the stock market of our country as follows: "Another important issue is the further development of the stock market, the Center for Coordination and

Development of the Market should be radically restructured. We will continue to work on the transfer of free state-owned assets to the private sector on a bilateral basis. It is necessary to establish a single procedure for allocation of land parcels through electronic auctions and auctions on the Internet, including for entrepreneurs.

For this purpose from 2018 an electronic system for the sale of state assets through electronic trading platforms will be created" (<https://goo.gl/axHvfN>). Considering the development of the securities market of our country in recent years, especially considering the expansion of the stock market, the role of securities in the investment projects' projects has been rising. Through the stock market tools: - financing investment activity; -Increase portfolio investment; -protection of rights and interests of innovators; -Increasing market activi - ties of joint - stock companies today is crucial for determining the relevance of this article. World stock markets are booming. Between 1982 and 1993, world stock market capitalization grew from \$2 trillion to \$10 trillion, which implies an average annual growth rate of 15%. Emerging stock markets composed a disproportionately large amount of this growth, rising from 3 percent to 14 percent of world stock market capitalization. Impressively, emerging market capitalization rose by a factor of 21 over this 11 -year period. The global growth of stock markets and the emerging market boom have attracted the attention of academics, practitioners, and policy makers. Many studies focus on measuring the benefits to holding a globally diversified portfolio,' and many countries are reformr.ing regulations and laws to foster capital market development and attract foreign portfolio flows.²

Yet, there exists very little empirical evidence on the importance of stock markets for long-run economic development.' At a more basic level, economists have neither a common concept nor a common measure of stock market development. Subsequently we know very little about how stock market development affects the rest of the financial svstem or how corporations finance themselves This paper collects and compares a broad array of stock market development indicators. Specifically, using data on 41 countries from 1986-1993, we examine different measures of stock market size, market liquidity, market concentration, market volatility, institutional development, and international integration. Since each indicator suffers from statistical and conceptual shortcomings, using a variety of indicators should provide a more accurate depiction of stock market development across countries.

Furthermore, stock market development - like the level of economic development - is a complex and multi-faceted concept and no single measure will capture all aspects of stock market development. Thus, our goal is to produce a set of stylized facts about stock market development indicators that facilitates and stimulates research into the links between stock markets, economic development and corporate financing decisions. After describing each of the stock market development indicators, we examine the relationship among the stock market development indicators. We find enormous cross-country variation in the level of stock market development as

measured by each indicator. For example, five countries have market capitalization to GDP ratios of greater than one, while five countries have market capitalization to GDP ratios of less than 0.10. We also find attractive correlations among the indicators. For example, large stock markets are more liquid, less volatile, and more internationally integrated than smaller markets; countries with strong information disclosure laws, internationally accepted accounting standards, and unrestricted international capital flows tend to have larger and more liquid markets; countries with markets concentrated in a few stocks tend to have smaller, less liquid, and less internationally integrated markets; and internationally integrated markets are less volatile. We hope that by assembling various indicators of stock market and financial intermediary development and by compiling a few stylized facts regarding these indicators, this paper will stimulate research on the relationships among stock markets, financial intermediaries and economic development.

We organize the remainder of the paper as follows. Section II describes and presents indicators of stock market development. These include measures of stock market size, liquidity, volatility, concentration, institutional development, and asset pricing efficiency. Section III (a) ranks countries using the different stock market development indicators and (b) studies the correlation among the indicators. Section IV examines which countries have the fastest developing stock markets. Section V analyzes the links between stock market development and financial intermediary development. We use measures of the size of the banking system, the amount of credit going to private firms, the size of nonbank financial corporations, and the size of private insurance and pension companies. Section VI summarizes the results. First of all, it is necessary to conduct an econometric study to determine the factors most influencing the volatility of the UCI index. This study provides an opportunity to determine the degree of influence of each factor on the index of volatility of the UCI index. All the factors chosen by us for analysis were included in the construction of the model. The results of the evaluation of the most significant factors are presented in Table. Based on the analysis, we sampled and obtained the first group of internal factors. This group includes indicators that characterize business activity in the economy (exchange rates, product market volume, inflation). The second group comprised general factors, independent of industry specific factors: GDP growth rate, indices of industrial production, real incomes of the population:

- 1) the index of the real effective rate of national currency to foreign currencies ;
- 2) the level of monetization of the economy (a positive value of this indicator indicates a high saturation of the economy with money, with an increase in the level of monetization, there is a rise in prices for stock assets, while the volatility of the UCI index increases);

3) the indicator of investments in fixed assets (the increase in the volume of investments directly affects the value of the volatility of the UCI index, hence, with increasing investment, the coefficient of variation of the UCI index increases);

4) the balance of trade (directly depends on the level of volatility of the UCI index, with the increase in the balance of trade balance, the volatility of the UCI index increases);

5) balances on correspondent accounts of credit institutions with the Central Bank of the Republic of Uzbekistan;

6) the dynamics of the volume of attracted bank deposits (the reverse relationship, that is, the decrease in the value of bank deposits, entails an increase in the volatility of the index of the stock market in Uzbekistan, therefore, it is necessary to increase the volume of attracted deposits to normalize the UCI stock index by the level of riskiness);

7) profitability of US government securities (there is a feedback between these factors, that is, with a decrease in the yield of US government securities, the probability of increasing the volatility coefficient increases);

8) consumer price index of Uzbekistan (there is a direct correlation between the consumer price index and the index volatility, that is, the probability of exceeding the coefficient of variation in the value of the stock index of the Republic of Uzbekistan decreases with the decrease in the consumer price index);

9) the dynamics of world oil prices and the risk level of the index (have a direct interdependence: with an increase in oil prices, the coefficient of index variation increases);

10) rates in the interbank credit market (interbank credit rates and the stock index have a negative coefficient, therefore, when the rates on the interbank credit market are lowered, the volatility of the stock index increases).

Gradual reduction of state-owned stakes in Uzbekistan is one of the important conditions for the development of the stock market. One of the most effective ways to fund investment activity through the stock market is the infrastructure of the stock market, that is, when the underwriting organizations are engaged in the placement of securities and the purchase of unredeemed securities, market makers are required to maintain prices, is an investment intermediary that undertakes to conclude bargains. - the size of the primary and secondary equity markets at 20-80% should increase the role of trustworthy managers of investment assets to serve many minority shareholders.

-ensuring active and quality participation of the joint-stock companies and other investors in the financial market by expanding their activities in the securities market and protecting their legal interests, thereby enhancing market liquidity and attractiveness;

-structural discretion should be gradually reduced in the share capital of major strategic issuers-companies;

-ensuring the issuance of Uzbek issuers to internationally integrated stock markets on the basis of increasing the capitalization level and applying a government-initiated IPO mechanism;

-the expansion of the banking sector, including the types of banking securities in Uzbekistan, plays an important role in the development of the stock market and, in addition, the attraction of additional financial resources to the real sector of the economy

-other stable and effective non-joint stock companies should be allowed to issue corporate bonds;

-extensive opportunities for new financial instruments emission and securitization of assets should be created. In our opinion, it is necessary to implement a program of multilateral measures to ensure the effectiveness of investment projects at equity capital, including through the provision of market active

- ties, the formation of a highly liquidated securities market, enhancing the protection of rights and interests of investors, increasing portfolio investment, further development.

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