



DIRECTIONS FOR INCREASING THE INVESTMENT ACTIVITY OF INSTITUTIONAL STRUCTURES OF THE STOCK MARKET

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A B S T R A C T	KEY WORDS
In this article, the activity of the stock market and institutional structures in it is analyzed, a number of theoretical materials and directions of activity of local stock market participants are reflected within this topic, and a number of recommendations are proposed.	Investment, stock market, institutional structures, joint-stock company, IPO, commercial banks.

Introduction

Currently, the deepening of financial relations between institutional structures in stock markets around the world, the global importance of capital flows in the investment activities of institutional structures, and the increasing influence of institutional structures on the economies of countries on major stock exchanges indicate the important role of the stock market and its institutional structures. According to data provided by international financial organizations, including the World Bank Group, “the current volume of global stock markets exceeds 178 trillion US dollars,”¹ and investment activity in them is showing a tendency to grow. Increasing the investment activity of institutional structures in the stock market requires ensuring the financial stability of institutional structures, using effective financial support mechanisms, and, as a result, further improving relations in attracting investments to the economy through the stock market.

Extensive research is being conducted in the world to further deepen the integration of stock markets, increase the investment activity of stock market institutional structures, and further improve the activities of institutional structures. As a result of these studies, the lack of a single scientifically based approach to ensuring the growth trend of stock indices, diversifying investment activities in stock market institutional structures, using market mechanisms to increase their investment activity, and

¹ World Bank Group: The World Bank (International Bank for Reconstruction and Development); International Finance Corporation (IFC); and Multilateral Investment Guarantee Agency (MIGA)
https://openknowledge.worldbank.org/discover?rpp=10&etal=0&query=capital+market&group_by=none&page=2

assessing the impact of institutional structures on the economy through the development of their investment activities indicates the need to conduct in-depth scientific research in this area.

Today, priority areas for increasing the investment activity of stock market institutional structures have been identified in Uzbekistan, and in these areas, tasks have been set to accelerate the attraction of investments to the national economy and thereby ensure high growth rates, and improve the activities of stock market institutional structures. The task is set to "develop an investment strategy for sectors and regions with the involvement of foreign experts, assess the effectiveness and socio-economic impact of the investments being attracted, and identify leading sectors for directing foreign direct investment."² In ensuring the implementation of this task, one of the most urgent issues is to assess the impact of internal and external factors on the investment activity of the institutional structures of the stock market, improve the mechanism for attracting foreign investments through the stock market, and further improve the mechanism for conducting IPOs by economic entities.

LITERATURE REVIEW

Having studied foreign experiences of increasing the investment activity of institutional structures of the stock market, it is appropriate to cite the following views of a number of economists on this issue. The concept of "stock market" is used in some scientific literature as a synonym for the concept of "securities market". In this sense, the stock market is also a market for relations related to the purchase and sale of securities, including securities.

In this sense, it should be said that this market is a necessary component of the financial sector, ensuring the accumulation and purchase of the necessary financial resources, that is, the stock market is a segment of the financial market.

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 in order to understand this, it is necessary to clarify the content of the category "capital". That is, it is accepted that capital is money, wage payments, investments for the development of production. According to Professor G.N. Beloglazova, Honored Scientist of the Russian Federation, "The capital market is a part of the financial market where long-term money, that is, funds held for a period of more than one year, are traded."

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, the involvement of banks in the business of guaranteeing the placement of securities seems too risky. Second, the situation is alarming, and the role of banks as underwriters directly leads to an alarming conflict of interest. Third, the alarming situation mainly reflects the growing concentration in the financial sector." According to economist E. Zhukov, "currently there are three securities markets participating in the financing of the economy: over-the-counter, stock (exchange) and street market."³

RESEARCH METHODOLOGY

The research used methods of analysis: comparison, analysis, synthesis, data grouping, as well as induction and deduction.

² From the speech of the President of the Republic of Uzbekistan at the videoconference meeting on January 15, 2020, dedicated to expanding exports, investments and localization. <https://president.uz/uz/lists/view/3291>.

³ E.F. Zhukova. Рынок ценных бумаг. /Pod.ed. - M.: YUNITI, 2003. - P.13.

RESULTS AND DISCUSSION

Currently, specialized non-bank financial institutions, in particular insurance organizations or groups, non-state pension funds, investment companies and funds, are actively operating in the stock market as part of the investment direction of the stock market. These institutional structures, along with commercial banks, are usually called "institutional investors".

In this regard, the investment activity of institutional investors in the stock market, which is relatively large in terms of institutional structures - the European banking system and the Russian banking system, is as follows:

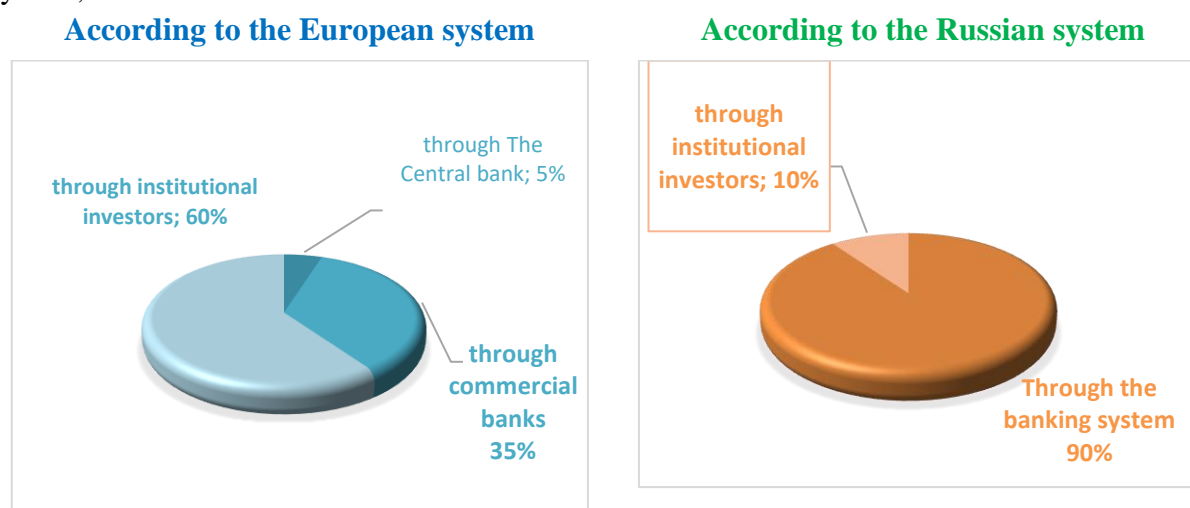


Figure 1. Comparative information of two systems of institutional structures of the stock market in terms of investment activity⁴

According to Figure 1, in foreign practice, there are tendencies to increase the share of institutional investors participating in the allocation of resources in the activities of institutional structures of the stock market. In this regard, in the experience of the European Union countries (Germany, the Czech Republic, Austria, Poland), commercial banks also work as equal institutional investors of the stock market in the following areas:

- ❖ they can act as founders of investment funds and companies;
- ❖ invest in shares or securities;
- ❖ perform the functions of brokers, dealers in the government securities market;
- ❖ can perform the functions of depository, clearing institutions.

In conclusion, the analysis of developing and developed stock markets has shown that the more the economy is saturated with monetary resources, the higher the securities component in economic turnover, the higher the capitalization of the stock market relative to gross domestic product.

⁴ Prepared by the author.

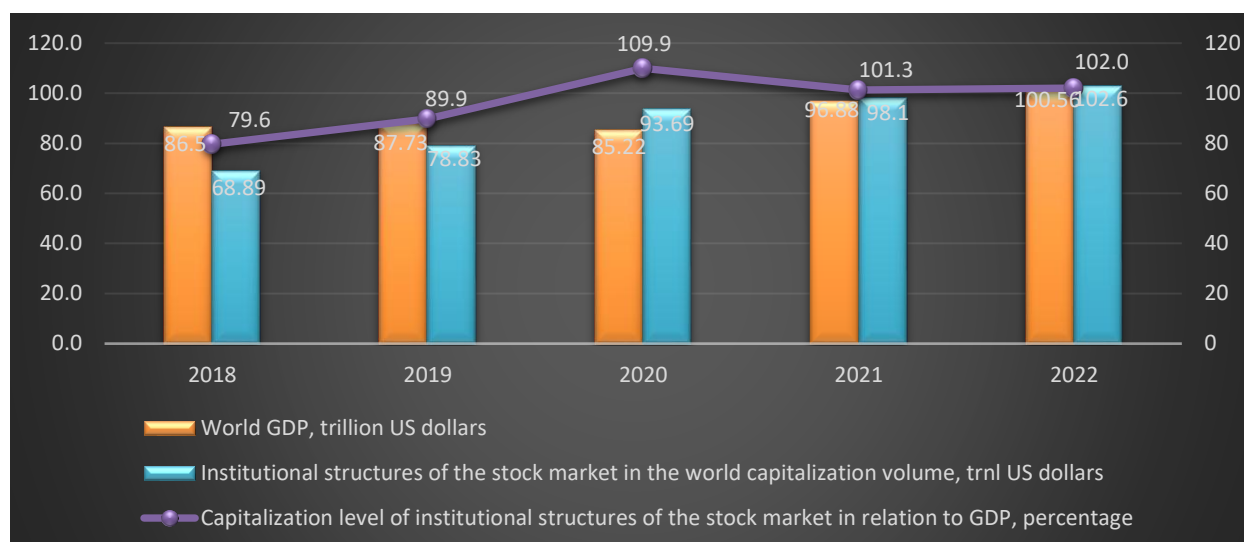


Figure 2. Institutional structures of the stock market in the world, changes in investment activity relative to GDP, in units.⁵

Figure 2 shows the change in the investment activity of institutional structures of the stock market in the world relative to GDP. Accordingly, in 2018 it amounted to 86.5 trillion US dollars. This year, the volume of market capitalization, reflecting the investment activity of institutional structures of the stock market, amounted to 68.89 trillion US dollars, or 79.6 percent of GDP. Of course, the volume of capitalization by investment activity of institutional structures has been growing year by year. In particular, in 2019 this indicator increased by 114.4 percent compared to the previous year, and the volume of capitalization exceeded 78 trillion US dollars. Also, the market capitalization of institutional stock market structures amounted to \$93.69 trillion in 2020, the highest level in relation to global GDP during the period under review. In 2021, this figure decreased by 8.6% compared to 2020, but in terms of real capitalization, it increased by \$4.4 trillion. Of course, in the context of high activity and the impact of external risks, such as the COVID-19 pandemic and the worsening geopolitical situation in the Eurasian region, in 2021 and 2022, the volume of stock market capitalization in relation to global GDP did not even reach the level of 2020. In addition, in addition to the current financial instability and high inflation expectations in the world, against the background of the increasingly aggravating geopolitical situation in the Middle East region, it can be predicted that even in 2025, the investment activity of institutional structures of the stock market will not exceed the level of the pandemic period (2020) in relation to world GDP.

By analyzing the activities of stock exchanges, which are considered one of the most important institutional structures of the stock market, it becomes possible to analyze investment activity in this market, assess the current situation in it, and form scientifically based conclusions.

It was established in accordance with the Decree of the President of the Republic of Uzbekistan dated April 8, 1994 No. PF-745 "On measures to further deepen economic reforms, ensure the protection of private property and develop entrepreneurship." At the initial stage, the creation of this structure was associated with the economic reforms planned to be implemented in the republic, including

⁵ Prepared by the author.

privatization processes, measures to create open joint-stock companies on the basis of state-owned enterprises.

The mechanism of trading on the Tashkent Republican Stock Exchange is expressed as follows (Figure 3).

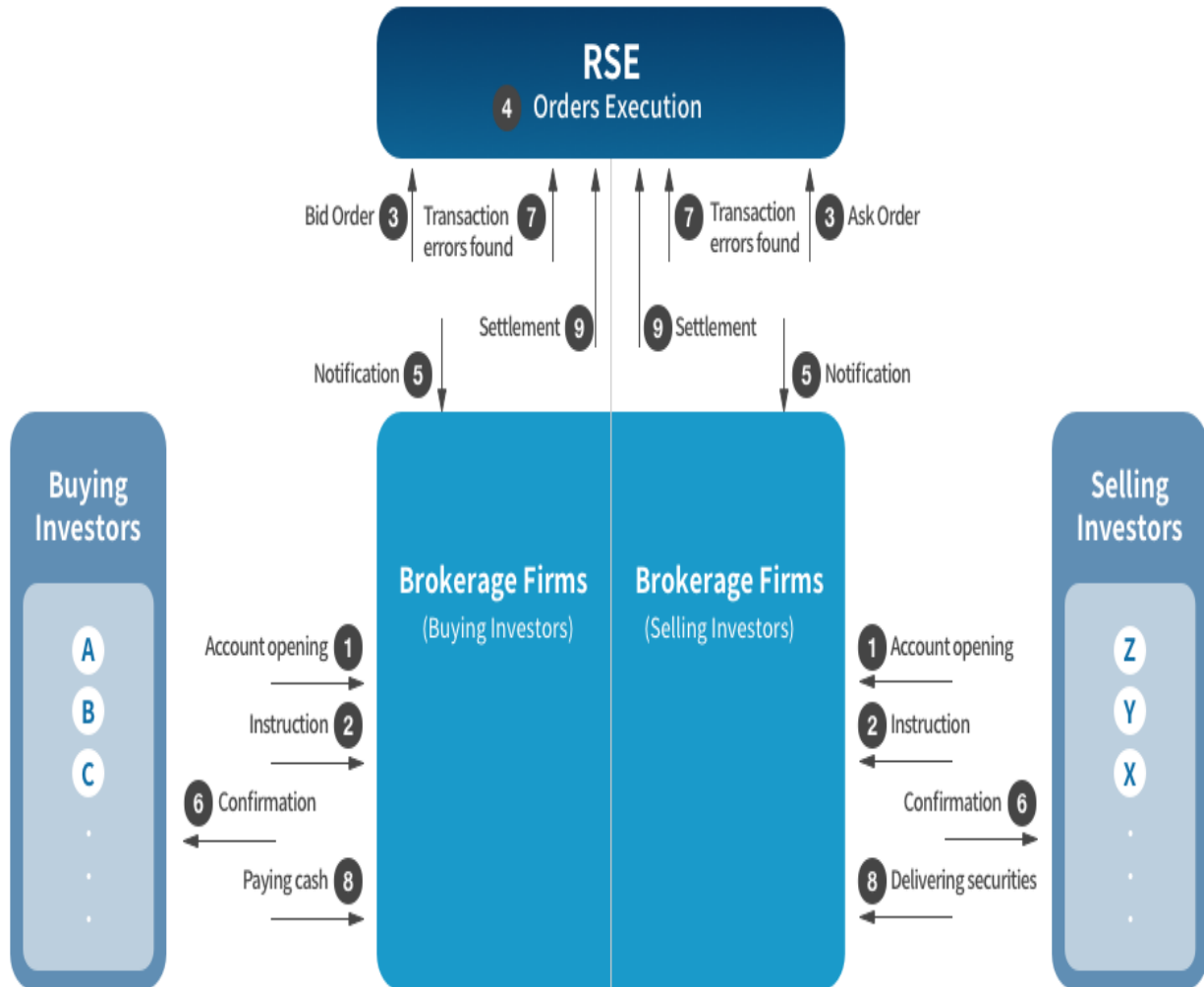


Figure 3. Mechanism for conducting trades on the Tashkent Republican Stock Exchange.⁶

In Uzbekistan, a number of analytical indicators are used to analyze the investment activity of institutional structures in the stock market. In particular, the country's GDP, refinancing rate and inflation rate, foreign trade volume, money supply (M2) and international reserves, exchange rates, the volume of the securities market and its structural structure, the activities of listed companies, etc. Since the investment activity of institutional structures in the stock market is actively influenced by the refinancing rate and inflation rates in the country, we believe that it is important to comprehensively consider and analyze the volume of these indicators.

⁶ <https://www.uzse.uz/abouts/capital>

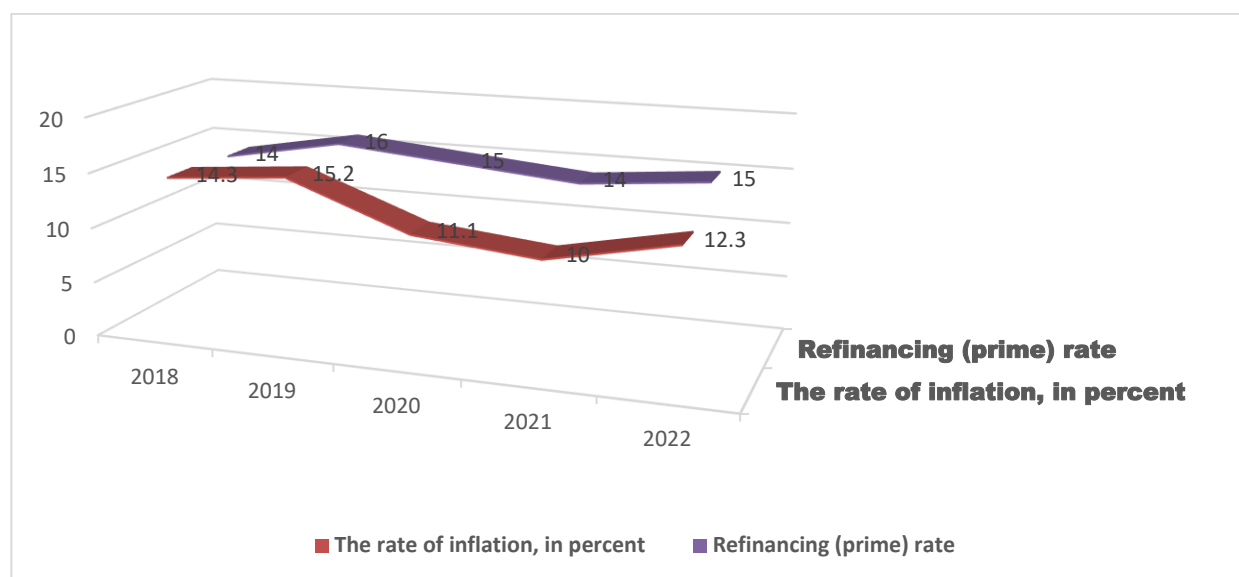


Figure 4. Changes in the refinancing rate and inflation indicators in Uzbekistan in 2018-2022, in percent.⁷

The change in the refinancing rate and inflation indicators in Uzbekistan in 2018-2022 can be explained as follows:

In 2018, the refinancing rate in our republic, i.e. the main rate, was 14 percent, in 2019 it was 16 percent, in 2020 it was 15 percent, in 2021 it was 14 percent, and in 2022 it was 15 percent. This refinancing rate is determined by the Central Bank of the Republic of Uzbekistan based on the criteria of demand and supply for money;

An analysis of inflation indicators shows that in 2018 this indicator was 14.3 percent, in 2019 it was 15.2 percent, in 2020 it was 11.1 percent, in 2021 it was 10 percent, and in 2022 it was 12.3 percent;

The decrease in inflation rates from 2020 compared to previous years can also be assessed as the effect of increasing the refinancing rate. The reason is that there is an inverse relationship between the refinancing rate and the rate of inflation. However, despite the fact that the increase in the refinancing rate has a positive effect on the relative reduction of one of the important factors of inflation indicators - the flow of money in circulation, it has a strong effect on the increase in the percentage of loans, which are necessary money channels for the economy.

CONCLUSION

In conclusion, it can be said that the specific features of the development of investment activity of institutional structures in the stock market were studied and their connection with the country's economic growth was substantiated. Foreign experiences in increasing the investment activity of institutional structures of the stock market were studied and recommendations were developed on the possibilities of their application in the conditions of Uzbekistan. In addition, promising directions for increasing the investment activity of institutional structures of the stock market were identified, and scientific proposals and practical recommendations were developed. Recommendations were formulated to improve the mechanisms for increasing the investment activity of institutional structures

⁷ Compiled by the author based on data from the Statistics Agency under the President of the Republic of Uzbekistan.

of the stock market. Also, as a result of the analysis carried out in this article, the following conclusions were formed:

1. In order to further support domestic issuers in the stock market, it is necessary to place their shares on foreign stock markets on the recommendation of the underwriter, after initially placing them on the republican stock exchange. This will improve the mechanism for placing shares on foreign stock markets by domestic issuers;
2. As a result of the study, it was found that the state can influence the investment activities of institutional structures in the country through the following means: credit, financial and tax policy; granting tax incentives to enterprises investing in the reconstruction and technical re-equipment of production; depreciation policy; creating favorable conditions for attracting foreign investments; scientific and technical policy, etc.;
3. Foreign developed capital markets provide domestic institutional investors with a range of investable assets and actively help diversify the investor base, creating an opportunity for issuers to attract financial resources from sources other than commercial banks, often at lower costs;
4. When analyzing the investment activity of institutional structures of the stock market, it is advisable to analyze the number of contracts concluded by them on the stock exchange and their volume. This is because through these analyzes, it is possible to track the trends in the investment activity of institutional structures of the stock market;
5. Another interrelated factor affecting the inflation indicator, which plays an important role in the stock market, is export-import operations and their volume. Therefore, by analyzing the indicators related to the dynamics of foreign trade of Uzbekistan in 2018-2022, it is possible to accurately assess the factors affecting the investment activity of institutional structures of the stock market, and through them to formulate scientifically based proposals and recommendations aimed at increasing the investment activity of these structures.

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