



PROBLEMS AND PROSPECTS OF SECURITIES MARKET DEVELOPMENT: DOMESTIC AND INTERNATIONAL EXPERIENCE

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Abstract

The securities market, by virtue of its characteristics, uses an almost individual infrastructure designed only to serve its own needs. In recent years, the process of infrastructural transformations in the global financial market has accelerated sharply. This is primarily due to the globalization of financial markets, increased competition between exchanges and the rapid growth of online trading systems. The stock market can be one of the key elements of the country's innovative development, serve as a source of development for both small and large enterprises. Entering the stock market of Uzbekistan and foreign stock exchanges allows enterprises to simultaneously attract significant financial resources for economic development, gain international recognition and increase their authority both domestically and on the world stage. Based on the findings, the directions of further improvement of the securities market of Uzbekistan are indicated.

Keywords: Financial market, securities market, stock market, internationalization and globalization, investment, investment climate, investment policy

INTRODUCTION

Today, the securities market is one of the most important areas for the development of the country's economy, therefore, correctly assessing its state at the moment, making forecasts for the future and being able to find solutions for the development of this type of market is an important problem for us. Without the functioning of the securities market, a real economic upswing is impossible; the securities market facilitates and expands access to all subjects of the

economy to obtain the necessary financial resources. But the potential of this market segment is far from fully realized.

In a market economy, an important goal is given to securities as a tool for accumulating financial resources and channeling them into the areas of the most profitable use of capital, investing in industries experiencing a chronic shortage of capital investments, and attracting temporarily free funds from legal entities and individuals into the economy.

The scale and significance of the securities market are such that its destruction directly leads to the destruction of the economic process, the process of reproduction in general. Therefore, all market participants have a direct interest in ensuring that the market is properly organized and tightly controlled in the first place by its most important participant, the state. The stock market, like the entire economy as a whole, is not immune from recessions and other shocks, sometimes causing paralysis of all economic activity. The securities market has always been and will be an indicator of the financial and economic health of the state: a sharp drop in exchange rates is a terrible omen of a general financial catastrophe in the country, and any recovery in the economy immediately affects the volume of financial transactions.

In the field of international relations, a more significant role in ensuring the stability of global financial ties is to play the development of interaction between countries in discussing critical financial problems with the aim of taking the necessary measures to prevent possible shocks or mitigate their consequences (Kozlov, 2002).

In the international stock market, capital flows are constantly intertwined, following the general trend of globalization of the world economy, internationalization of world economic relations. In almost all countries with developed market economies (with the possible exception of Switzerland), the market for government financial instruments makes up the bulk of the securities market. It is government securities that are the backbone of the global stock market and the main instrument of any financial market (Khalyapin, 2012).

LITERATURE REVIEW

Studies show that government regulation is an essential and integral part of the functioning of any market system, including the financial one. Among domestic and foreign economists, various approaches are observed both to the very concept of “state regulation of the securities market” and to its organization in practice. The concept of “state regulation of the securities market” is multifaceted and extensive, contains many terminological and essential subtleties that must be taken into account when studying this topic. It is important to note that in the economic literature there are such concepts as “state regulation of the securities market” and “regulation of the securities market”. Such a distinction arose because the regulation (or its

individual functions) of the market can be carried out not only by the state authorized body, but also by non-state independent non-profit organizations.

Despite this, these concepts are in many respects equivalent for a number of reasons. Any market, especially the financial one, is one way or another regulated by the state, regardless of the legal traditions of the country, the degree of development of the institution of self-regulatory organizations (SRO) and other conditions. This is due to the fact that the state as the dominant management institution initially has basic regulatory functions in all areas of the economy.

In addition, at one stage or another of its development, the role of the state in regulating the financial market may change. So, MirkinYa (1995) notes that the state should play a more active role at the stage of the formation of the stock market (like any other market, in principle), when the state is particularly concerned about building the architecture of the financial security of the country[6]. Such a statement is especially relevant for Uzbekistan, since the domestic financial system today continues to be at the stage of formation and strengthening of positions achieved over a relatively short period of time.

Berdnikova T.B. in its work, "Securities Market and Exchange Business" defines the regulation of the securities market as a system that is expressed in the aggregate of specific methods and techniques for regulating the functioning and development of the stock market. Moreover, this system is based on the use of state and non-state (public) regulatory models. According to the author, the first model assumes that the regulation of the stock market is the primary function of public authorities. At the same time, the state delegates a small part of the powers to supervise, control and establish rules to associations of securities market participants. The second model is that the state retains the main control positions, but at the same time transfers the maximum possible amount of functions to self-regulatory organizations (Berdnikova, 2004). Thus, Berdnikova considers the regulation of the stock market as a system that is based mainly on either public administration or public.

Slightly different approaches to the definition of the concept of regulation of the securities market Marenkov, who considers the management of the stock market not as a system, i.e. an object consisting of individual components, and as a process - the process of streamlining the activities of all market participants and operations between them by authorized bodies (Marenkov, 2003).

As per Galanov and Basov (2004), determining that the regulation of the securities market is the streamlining of the activities on it of all its participants and operations between them by organizations authorized by the company for these actions. At the same time, the authors subdivide stock market regulation into external and internal. So, internal regulation is

the subordination of the organization's activities to its own regulatory documents: the charter, rules, etc., defining the activities of the organization as a whole, its units and its employees. External regulation, in turn, is the subordination of the organization to regulatory acts of the state and other organizations.

Thus, speaking about the regulation of the stock market by authorized state bodies or public organizations, it must be borne in mind that the state always plays its irreplaceable role in managing the market, while only the volume of its functions varies. It is also important to note that in none of the above definitions of securities market regulation are such concepts as "state" or "state" used. In general, the regulation of the securities market always includes a list of the following basic principles specific to each market:

legislative activity;

legislative regulation;

mechanism for direct regulation of the securities market (licensing, certification, etc.).

control and supervisory functions for compliance with the law.

FOREIGN EXPERIENCE IN REGULATING THE SECURITIES MARKET

Stock markets and economic functions may not be distinct to many people but, in fact, they represent a relationship between the disparate sectors in social society between savers and producers as the saving sector needs to employ their savings in more beneficial and ambitious projects. Additionally, the productive sectors always require financial sources to assist them to continue to perform more in function of economy, in which stock market performance and functions of basic economy transfer funds from people who have amassed surplus to those who have a paucity of funds (Henry, 2002).

Without dwelling on the general functions of state authorized bodies and self-regulatory organizations in the securities market, we note that various organizations can act as stock market management bodies in different countries. Depending on this, five large groups of countries can be distinguished.

The first group consists of countries where the state regulatory bodies of the stock market are relatively independent institutions directly subordinate to the legislative branch (for example, parliament) or senior government officials (for example, the president). An example of this is the US Securities and Exchange Commission, reporting directly to the country's president. In Australia, the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) carry out regulation on the stock market; in Poland, the Securities Commission and exchanges. In Hungary, the financial market is regulated by the Hungarian Financial Supervisory Authority, HFSA.

The second group consists of countries where the functions of state regulation are performed by ministries of finance, which include special units responsible for managing the national stock market. In England, a single system of financial services and financial market participants is included in the control zone of a single regulator of financial markets - the Financial Services Authority, which is part of the UK Ministry of Finance. A similar situation has developed in Sweden, where the State Financial Supervision Authority is an independent agency under the Swedish Ministry of Finance, which regulates the country's financial market. In the Netherlands, the functions of stock market regulation are vested in the Financial Markets Authority (AFM) (Najeb, 2013).

The third group includes countries where central banks regulate the stock market. In the Netherlands, the already mentioned Financial Markets Authority directly monitors professional activities in the stock market, and the Central Bank of the Netherlands is responsible for overseeing all sectors of the country's financial market. Until recently, in the Russian Federation, the stock market was regulated by the Federal Service for Financial Markets and other state bodies, however, from September 1, 2013 this structure was abolished and its functions were transferred to a single mega-regulator of the financial market. So, in Russia, the Bank of Russia began to play the role of a mega-regulator.

The fourth group consists of countries in which, in addition to a single regulatory body, supervision and other functions of regulating the stock market are also assigned to special units of local authorities, as is done in part in Germany.

And the fifth group consists of countries where several different bodies specializing in certain segments of the market are directly involved in regulating the stock market. This practice is especially developed in countries where commercial banks are active in the stock market, for example, in France.

The variety of forms and methods of regulating the stock market should be considered on the example of individual countries of the far and near abroad. Despite the many common approaches to managing the securities market, each country has its own characteristics of the formation and development of the institution of state regulation of the stock market.

As foreign experience in the regulation of the securities market shows, the trend towards the creation of mega-regulators prevails in the global financial market. At the same time, institutions of mega-regulators are being created both in countries with developed and in countries with developing economies. At the same time, the main advantages of mega regulators are (Dauletova, 2011):

- elimination of duplication of functions of regulation of the stock market by individual management bodies;

- a unified systematic approach to organizing the reporting of stock market participants;
- optimization of information flows for centralized analysis and forecasting of stock market development;
- the presence of a single law enforcement and enforcement mechanism;
- the concentration of all the powers to manage the stock market at one institution entails the optimization of the activities of other departments.

Despite a number of these advantages, the creation of a mega-regulator may also have its drawbacks:

- probable weakening of regulation of certain sections of the financial market;
- dispersing attention to different regulatory objects and the subsequent imbalance in matters of importance and priority for the development of a particular segment of the financial market.

Currently, the stock market is the second international market after the currency in terms of the scale of operations. The volume of operations in international stock markets is over 2 trillion dollars per day. Over the past 20 years, only the turnover of stock trading on world exchanges has increased more than 80 times. The United States accounts for from 40 to 50% of the global market for stocks, bonds and financial derivatives (SaibelaN and Kovalchuk 2018). Factors contributing to the expansion of the geopolitical boundaries of the international stock market include: the growing relationship between national and foreign sectors of the economy; increasing the role and importance of stock exchanges; improvement of payment settlements; development of interbank telecommunications. The international stock market is less regulated by the state. The main economic signs of the existence of the international stock market are:

- transfer of capital between countries in the form of securities;
- the presence of centers for international securities trading;
- issue of international securities not related to the jurisdiction of any particular country.

STATUS AND DEVELOPMENT OF THE SECURITIES MARKET OF UZBEKISTAN

The advanced, developed countries of the world, such as the USA, Germany, Japan and others, have well-developed and developed stock market systems that allow them to attract temporarily free cash and other funds of the population, enterprises, organizations and the state itself and direct them to finance the development of their national economies.

In the modern world, the reality is that securities are no longer just fictitious capital, and if their market is properly organized, they can serve as the most powerful financial lever that can bring the economy to a new, much higher level of development (Kamal, 2013).

In Uzbekistan, since independence, the main focus as a source of financing the economy has been on bank credit. It was banks, as institutions for raising funds from the population and enterprises and organizations, as well as the state, on a borrowed basis, that made huge investments in the real sector of the economy. The banks concentrated significant financial resources and qualified human resources remaining from the Soviet system. The state provided all kinds of comprehensive support to the banking sector. Banks received huge funds and preferences from the state.

As a legacy from the Soviet system, the republic's securities market received only government bonds and savings certificates. After the country gained independence, it began to develop at a seemingly explosive pace. In 1994, the Republican Stock Exchange was established. From 1996 to 2011, the market for government securities (GKOs, GSKOs, bonds of the Central Bank) received certain development. But the stock market was mainly based on the transformation of state enterprises into joint stock companies, i.e. on privatization. The issue of shares during large-scale privatization, as a result of which about five thousand state-owned enterprises turned into joint-stock companies, did not lead to the involvement of new financial resources in the turnover of enterprises and was not associated with investments, but basically meant only a change of their owner - state to private. The government securities market was considered by the Ministry of Finance only as an instrument to cover the state budget deficit.

Subsequently, decisions were made in the field of the securities market that determined any development vector in this area, but many of which were later canceled. Due to the fact that important and correct endeavors in this area were not brought to the planned result, to date, we must admit, we could not create a full-fledged, actively functioning stock market that could compete with foreign stock markets, and even domestically with other segments of the domestic financial market.

According to the authorized state body for regulating the securities market, over the entire period of development of the securities market in the country, the number of issued shares amounted to 6.3 trillion. pieces for a total amount at face value of 59.4 trillion. soums. For the last 2018 alone, entries in 155 share issues worth 13.4 trillion were made in the Unified State Register of Issues of Securities soums. The number of shares issued in 2018 amounted to 1.98 trillion units, the total turnover of the stock market and corporate bonds amounted to 10.71 trillion. soums, up 11.53 trillion. soums or 2.07 times less than the same period in 2017.

In 2018, 14,045 deals worth 815.04 billion soums were concluded on the organized market, including 14,039 transactions with shares for 713.71 billion soums and 6 transactions with corporate bonds for 101.3 billion soums. The volume of transactions with shares and

corporate bonds on the RSE “Toshkent” amounted to 687.3 billion soums (13,750 transactions), and on ESVT “Elsis-Savdo” - 127.16 billion soums (294 transactions).

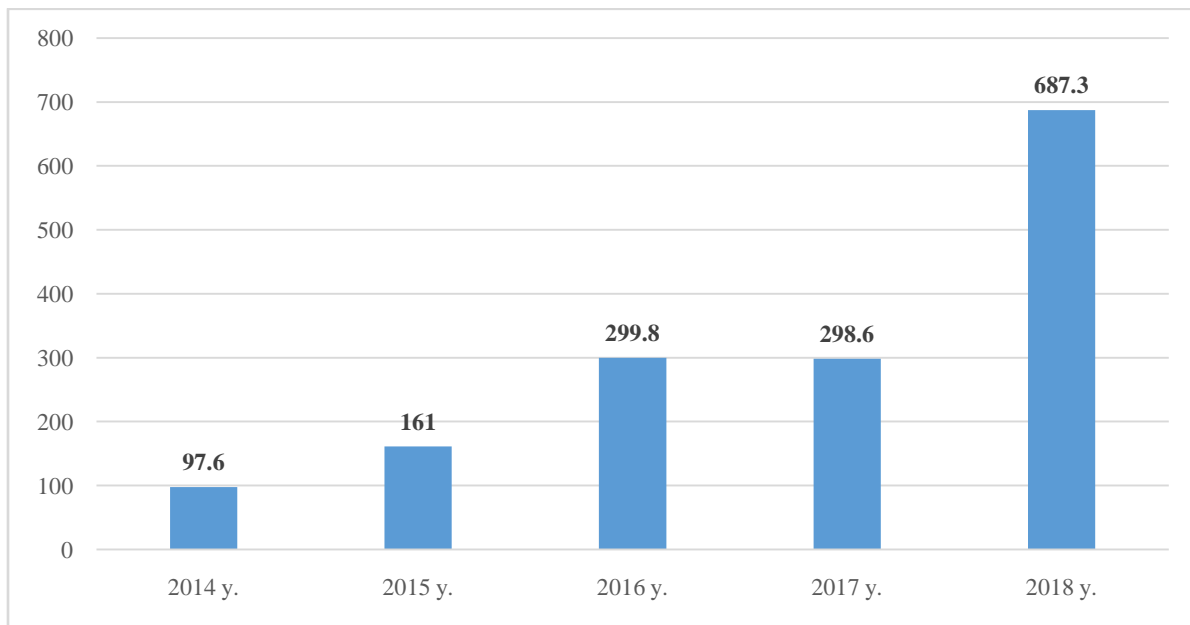


Figure 1. Dynamics of exchange turnover for 2014-2018 (in billion soums)

At the end of 2018, the volume of exchange transactions on the Republican Stock Exchange “Toshkent” reached 687.3 billion soums, which is 2.3 times higher than last year (in 2017 - 298.6 billion soums). The number of transactions at the RSE “Toshkent” amounted to 13,750 transactions (in 2017 - 2,572 transactions). In total, 10,062,650 thousand securities of 117 joint-stock companies were sold during the reporting period (99 joint-stock companies in 2017).

Table 1. Analysis of indicators of exchange turnover of the RSE “Toshkent”

Indicators	2017y.	2018y.	Change (increase - decrease)
The number of joint-stock companies whose securities were traded on the stock exchange	99	118	19
Number of transactions	2 572	13 750	11 178
Number of securities, mln. Pieces	1 551,6	10 062,6	8 511
The amount of transactions, billion soums	298,6	687,3	388,7

One of the most important indicators of exchange activity is the number of exchange transactions. The growth in their number shows that activity among investors is growing and new, liquid and interesting tools are appearing on the market.

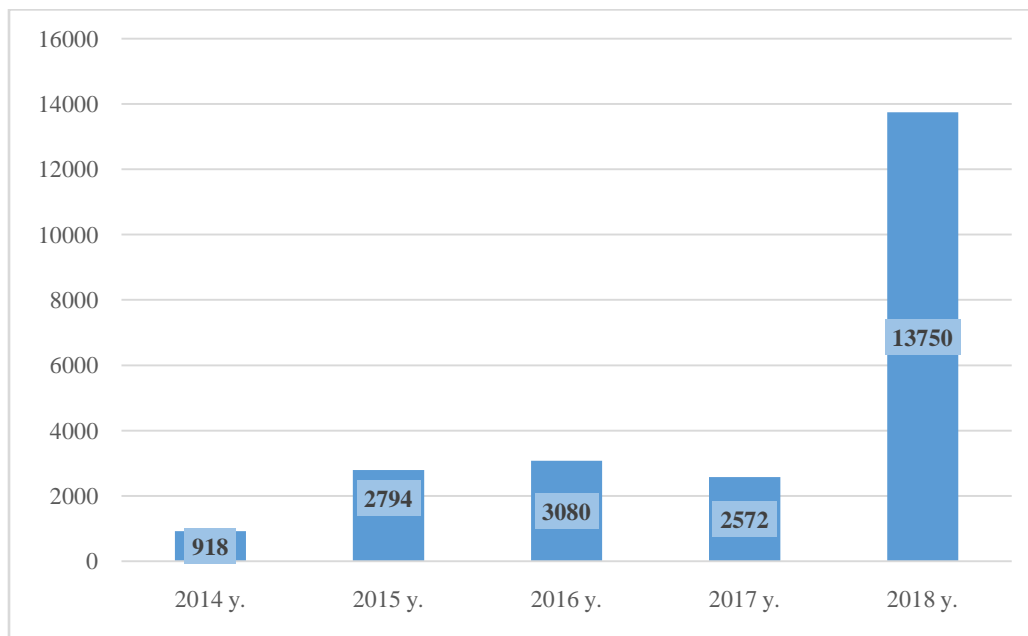


Figure 2. The number of concluded exchange transactions at the RSE "Toshkent" for 2014-2018 (pieces)

Over the past 3 years, more precisely, from 2015 to 2017, there was a fluctuation in the number of exchange transactions in the range of 2500 - 3100 units. In 2018, the number of exchange transactions increased by 6 times. The reason for this sharp jump was the IPO of the shares of KVARTS and the SPO of shares of KMZ. In the public offerings of shares of these companies at the RSE "Toshkent", a total of 6,147 transactions were concluded in the amount of 9.87 billion soums.

In the reporting period, transactions with securities were concluded: in the trading system of the Unified Software and Hardware Complex (EPTK): on the Stock Market stock market in sections: main (Main Board) - 7,480 transactions worth 433.15 billion soums; on transactions for individuals without clearing ("NC Board") - 68 transactions in the amount of 38.65 million soums; in Negot Board negotiation auction mode - 51 deals in the amount of 240.24 billion soums; in the bond market "Bond Market" in the main section ("Main Board") - 3 transactions in the amount of 237.21 million soums; in the section for the sale of shares (block trading) - 1 transaction in the amount of 3.77 billion soums.

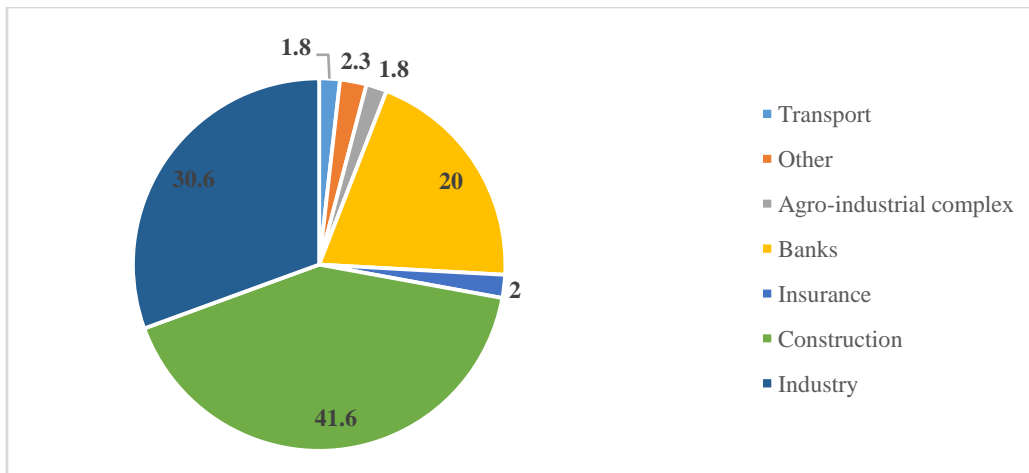


Figure 3. Sectoral structure of exchange turnover by the number of transactions for 2018

Exchange turnover with securities in the context of the main sectors of the national economy amounted to: - the share of enterprises in the financial sector of the economy accounts for 88.8% of the exchange turnover or 610.3 billion soums, incl. banks - 86.0% of the exchange turnover or 591.0 billion soums, insurance companies 10.9 billion soums (1.6%) and leasing companies - 8.3 billion soums (1.2%). In 2017, the share of the financial sector amounted to 87.8% of the exchange turnover or 262.2 billion soums - the share of the agricultural sector - 2.5% or 17.5 billion soums (in 2017 - 9.2% or 27.3 billion soums); - the share of enterprises in the construction industry - 2.3%, or 15.6 billion soums (in 2017 - 0.5%, or 1.6 billion soums); - the share of the industrial sector - 2.3% in the turnover of the exchange or 15.6 billion soums (in 2017 - 0.3% in the turnover of the exchange or 0.9 billion soums).

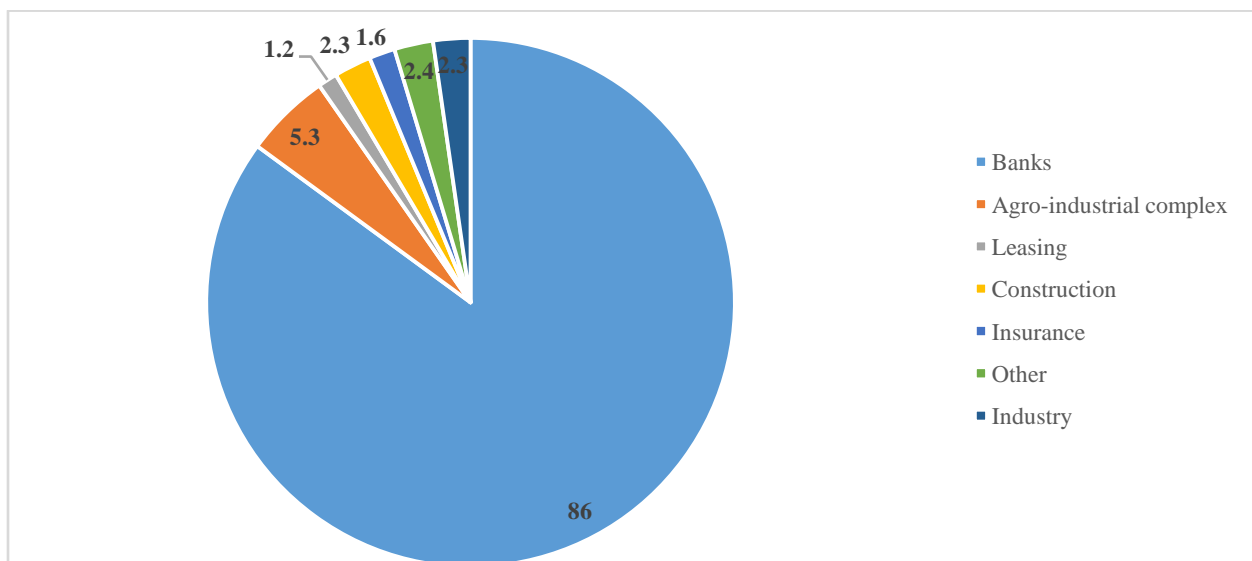


Figure 4. Sectoral structure of exchange turnover by the amount of transactions for 2018

If we consider the performance of the exchange by categories of investors, then it should be noted that the amount of investments by individuals makes up the bulk of the exchange turnover - 392.6 billion soums, or 57.0% of the total exchange turnover. In the reporting period, there has been an increase in investment activity among legal entities, whose share in the exchange turnover amounted to 39.5%, or 271.4 billion soums. On the whole, the structure of the exchange market by type of investors who participated in tenders with securities in 2018 is as follows:

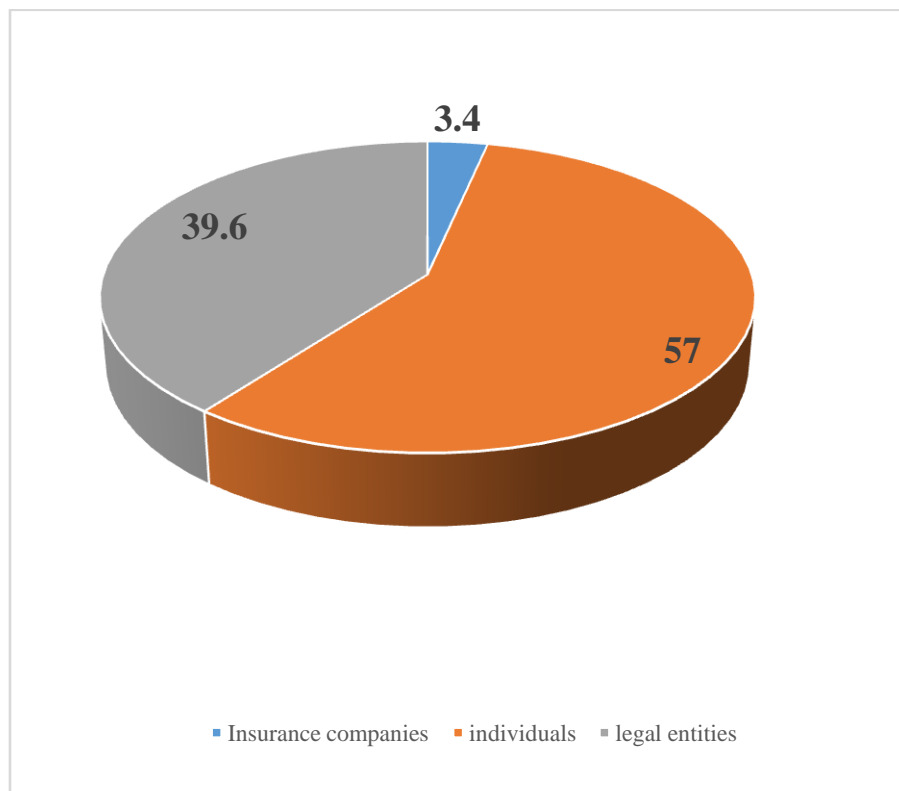


Figure 5. Exchange turnover structure by type of investors for 2018

An analysis of investments by industry shows that over the past period, investors - individuals enjoyed the highest confidence in bank securities - 90.2%, agricultural sector - 3.8%, construction industry - 3.0%, as well as entities not included in the structure of government bodies. and households. management - 1.4% of the total investment of individuals.

At the end of 2018, corporate securities of 117 joint stock companies located in all regions of the republic participated in exchange trading, with the exception of joint stock companies located in the Republic of Karakalpakstan.

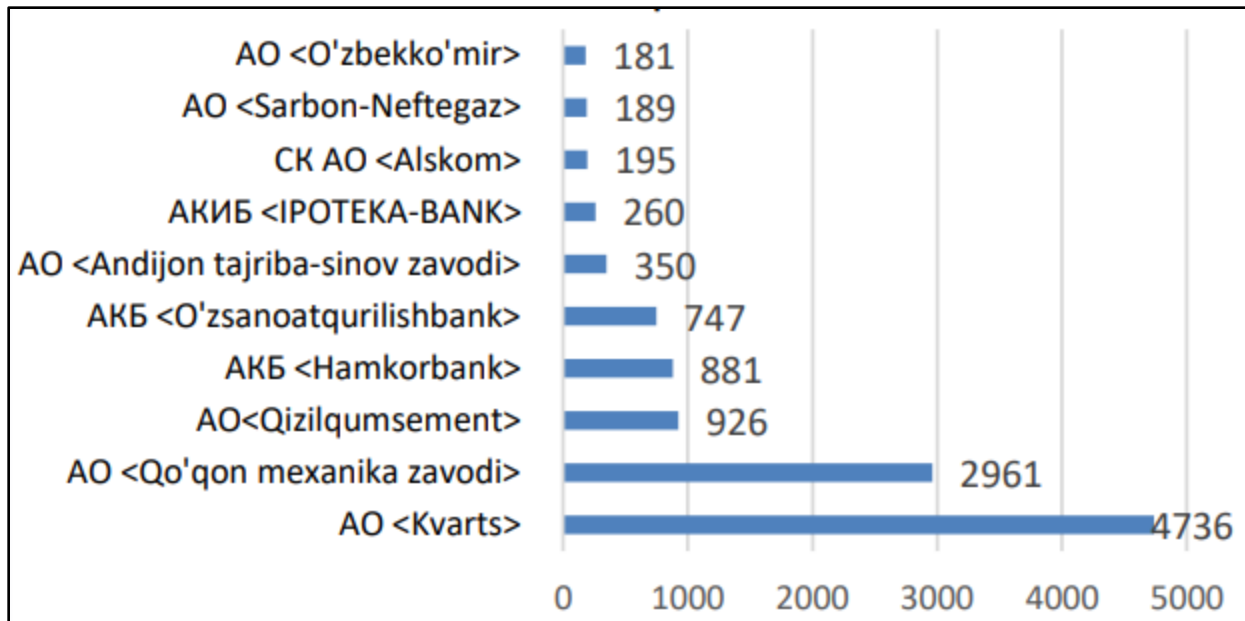


Figure 6. Top 10 issuers with the most actively traded shares

The chart shows listing companies whose corporate securities have been actively traded over the past year.

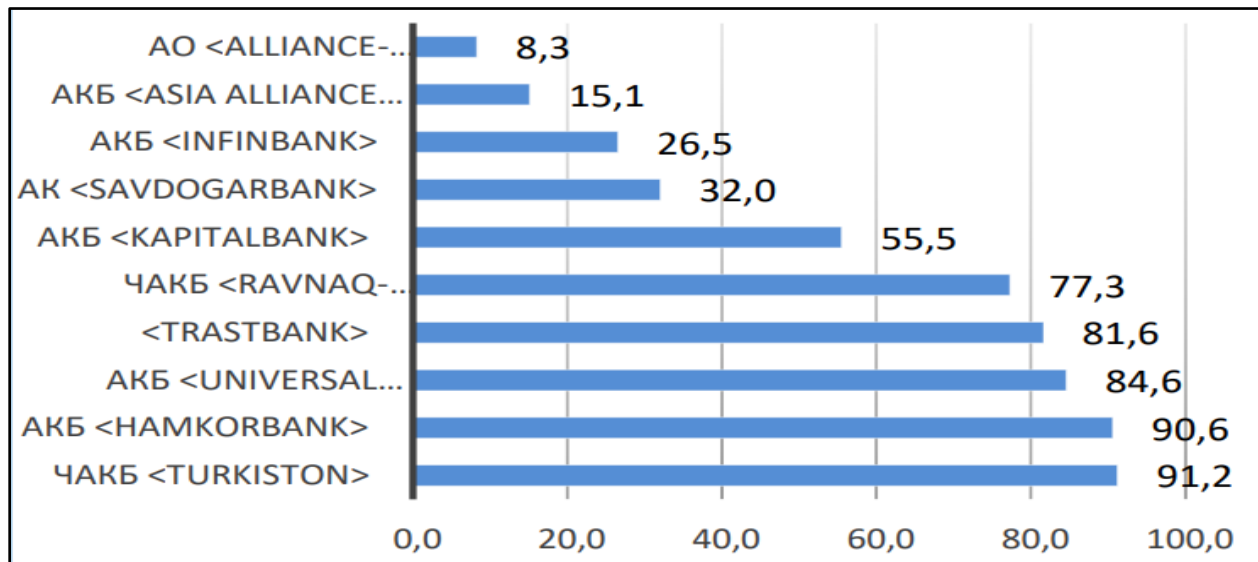


Figure 7. Top 10 issuers with the highest trading volume in 2018 (billion soums)

The chart shows the trading volume made on corporate securities of the ten companies with the highest trading volume in 2018. During 2018, the Central Securities Depository and investment intermediaries (acting as depositaries since 2015) registered 5,743 transactions with shares and corporate bonds worth 9.89 trillion soums.

The total turnover of the secondary market for stocks and corporate bonds amounted to 1,704.4 billion soums, including: in the organized market - 487.96 billion soums (10,356 transactions); in the unorganized market - 1 216.43 billion soums (4 975 transactions).

In the context of industries, based on the volume of transactions, the highest turnover ratio (the ratio of trading volume to the total authorized capital of an industry branch) in the secondary market is observed for shares of enterprises included in the structure of the Uzfarmsoat Agency (74.8%), business entities created with the participation of local khokimiyats (41.81%), Uzozirovkatholding JSC (34.6%), the Ministry of Water Economy (31.5%), the National Television and Radio Company of Uzbekistan (31%), the Uzbekkino National Agency (24.5%), JSC "Uzagrotechsanoath holding" (13.2%). In general, enterprises of all sectors - 2.7%.

The volume of transactions with shares in the secondary market last year with the participation of individuals amounted to 734.73 billion soums or 45.38% of the total volume of transactions in the secondary market.

CONCLUSION

Based on the foregoing, we can conclude that modern systems for regulating the securities market in foreign countries are mostly based on the creation of a mega-regulator of the financial market. Whether a similar approach is applicable in Uzbekistan will be shown by the further development of the domestic financial system, but already now we can say with confidence that the current system of regulation of the stock market of the republic qualitatively solves the whole range of tasks facing it in the short term.

We can distinguish the following key problems of the development of the national securities market that require a priority solution:

- Improving legislation and monitoring the implementation of this legislation;
- The global financial crisis of emerging markets;
- Increasing the role of the state in the stock market;
- The problem of protecting investors;
- Shortage of financial instruments;
- Manipulation of prices;
- The urgent need to improve the investment literacy of the population.

The main prospects for the development of the securities market at this stage are:

- Improving organization and strengthening state control;
- Internationalization and globalization of the market;
- Interaction with other capital markets;

- Creation of a complete legislative and other regulatory framework for the functioning of the stock market.

Currently, there is a serious hypertrophy of the stock market on a regional scale, expressed in the fact that the overwhelming majority of transactions with shares are in Tashkent. In particular, in 2018, the largest activity in the secondary market in terms of volumes was recorded for shares of issuers located precisely in the city of Tashkent (87.2% of the total). The development of regional (local) markets of the country has a sluggish character, in the regions there is no necessary special market infrastructure (professional participants in the securities market). In some, even large areas, there are no professional participants in the securities market that carry out the most important professional activities on it (investment intermediary, investment consultant, trustee for investment assets).

To make regional securities markets more important and ensure their consistent formation, it is advisable to put into practice the development and adoption by each region of regional programs for the development of the securities market, approved by the khokims of the regions. They should include forecasts of the issuance of securities, the development of specific measures to increase the level of financial literacy of the population, disclosure of information about issuers, the creation of investment institutions in the region, and the strengthening of the work of informing the population about the most profitable, liquid savings accumulation tools, by covering current issues RZB in local media, specialist training, etc.

The main factors affecting the stock market can be divided into external and internal. External factors include those factors on which the state's internal economic policy is not able to exert any significant influence. These include: world economic cycles, world prices for raw materials and energy, the global economic situation in stock markets, the competitiveness of markets and their position in the global financial system. Internal factors affecting the development of the stock market include those factors that are controlled by the state or self-regulatory bodies, as well as unique factors affecting a specific regional stock market.

To further increase the liquidity of the stock market in the Republic of Uzbekistan, it is necessary:

- the privatization of enterprises and the issue of shares of privatized enterprises, in free circulation;
- the formation of share capital in the creation of new joint stock companies without state participation.

Studying the theory and practice of developing the securities market of foreign countries, as well as our country, allows us to determine as the most important of them:

- 1) functional regulation in combination with institutional regulation on the organization of control and supervision of the activities of professional market participants;
- 2) territorial regulation based on the classification of the sphere of securities trading as administrative-territorial entities represented by the Republic of Karakalpakstan, Tashkent and the regions of the republic;
- 3) use of market self-regulation mechanisms created along with the state and under its control;
- 4) the distribution of powers to regulate the market between various executive bodies;
- 5) priority in protecting small investors, the public, all forms of collective investment;
- 6) maximum reduction and insurance of risks in the stock market;
- 7) support for competition in the securities market.

In order to increase the efficiency of the securities market regulation system and control the activities of professional market participants, reduce government spending on securities market regulation and supervise the state, it is advisable to ensure the development of self-regulatory organizations of professional securities market participants. In the future, they can become an integral part of a single mechanism for regulating the market (after vesting with appropriate powers within this mechanism) and will be formed by the main types of professional activity in the securities market.

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