

PROBLEMS OF IMPROVING STOCK MARKET TRADING MECHANISMS IN UZBEKISTAN

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ABSTRACT:

The article analyzes the theoretical aspects of attracting capital through the stock market by studying the history of its origin and the views of various economists on this issue, as well as work out recommendations for the application of some elements of world experience to increase the flow of capital to the economy through the stock market of Uzbekistan.

KEYWORDS: capital, capital market, stock market, foreign exchange market, securities market, book building, small savings, investment, economic transformation.

INTRODUCTION:

The role of economic terms is vital in the study of the theoretical aspects of economic knowledge in the study, organization and regulation of the activities of a particular sector of the economy. Therefore, in this article, we have tried to explore the use of some economic terms in Uzbekistan. The stock market is one of the most essential mechanisms for attracting capital to the economy and is an important segment of the global financial market. It has not been long since such concepts (stock market, stock market, capital market) entered

Uzbekistan. Our independence and our transition to a market economy have given rise to these notions. Therefore, a comparison of the application of these concepts in Uzbekistan and other countries of the world will help to eliminate some controversies in their application. To do this, we need to look at the results of research conducted by some scientists who have conducted research in this area.

According to the Russian scientist S.Z. Moshensky, there is the common approach in practice, "stock market" and "securities market" are completely synonymous. As a proof of this, he said that in the past the "stock market" included only trading in long-term securities, but now the difference between long-term and short-term securities is disappearing [1]. According to Y.A., the "transformation" of stock instruments has affected the shape of the markets to which they belong.

In fact, securities originated in China during the Tang Dynasty in the 7th-10th centuries [2], and the concept of the stock market is related to the emergence of the stock exchange. That is, in 1531, the world's first stock exchange was established in Anwerpen,

now Belgium. [3] For the first time in 1592, a list of the prices of securities traded on this exchange was formed, and this year the stock exchange was formed, and this year the stock exchange appeared in the form of the first special organizational structure for the exchange of securities. It is clear that a more serious analysis of these ideas would be appropriate. Therefore, in addition to the above, we will try to shed more light on the issue by analyzing the research of Western scientists. Because in the West, the concept of the stock market is not used, but the concept of the stock market. The capital market, unlike the money market, is where long-term investments are made, and in the money market, firms and individuals use surplus resources to maintain resources in the short term until the need arises or a better opportunity arises. As for the first segment of the capital market, the bond market, "bonds are securities that represent the issuer's debt to the investor" [4].

The second segment of the capital market is the stock market in international practice, clearly the markets and exchanges in which there is a constant activity of buying, selling and issuing shares of joint stock companies. Such financial activities are carried out on institutional official exchanges or over-the-counter markets operating in accordance with the established procedure.

Let's look at another term that applies to this market. In many cases, the terms stock market and stock exchange are used interchangeably. For example, if someone buys or sells a security on a particular stock exchange, they may use the phrase, "I bought it on the stock market." In fact, he only practiced on one stock exchange. It is important to note that "the stock market includes a number of stock exchanges and over-the-counter trading platforms" [5]. That is, when evaluating the stock market of a region, it is necessary to take into account all the stock exchanges and over-the-counter trades that exist in that region.

The next segment of the capital market is the secured securities market, where long-term securities are traded primarily on real estate collateral.

The third segment of the "financial market" shown in Figure 1 is a system in which currencies denominated in one type of currency and bank deposits are converted into another type of currency. A group of European economists, David H., Mark G., and Sheridan T. described the structure of the capital market in the second edition of their *Financial Markets and Corporate Strategy for Europe* as follows:

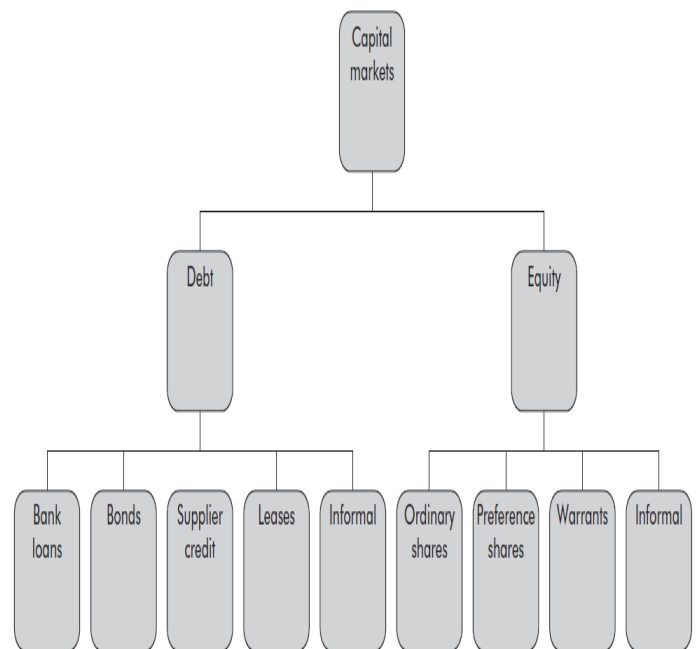


Figure 1. External sources of capital financing [6]

As can be seen in the figure above, European economists have analyzed our views earlier, taking a different approach from American economists in their approach to capital market structure, i.e. these European scientists analyze capital market structure (grouping) based on the nature of their funding sources instruments approached. U.S. economists, on the other hand, have focused more on grouping capital markets based on supply and guarantee (pictured in Figure 1). In addition to the above, another specific financial system is presented in Table 1 below.

Indian financial system [9]										
Money market	Capital market									Financial statements
	Non-securities market			Securities market						
	Mutual funds	Fixed deposits Bank deposits Provident Funds Small Savings Insurance	IPO'S	Primary market			Secondary market			
Book building				Private Placement	Equity market	Debt market	Commodity Market Futures & Opstons Market			

Figure 2. Indian financial system [7]

In the first part of “Introduction to Financial Markets” published by Indian economists Sidharz B., Sharma J. and others, the capital market in the Indian financial system is divided into groups as securities and non-securities markets.

Most of the terms in the capital market table above are also common in Uzbek practice. However, terms like “Small saving” and “Book building” are new to us. Therefore, we have chosen to describe these jumps. Small saving is an important financial institution for households in India, which is concerned with saving and investing the excess financial resources of individuals. These funds can be divided into three categories:

- The first is postal deposits;
- The second is fund certificates;
- The third is the social security structure.

This structure was established by the Government of India in 1999 in the form of a “National Small Fund” (NSSF) and all small funds in India were transferred to this fund and the maintenance of depositors’ funds and their expenditures were transferred to this fund. was done at the expense of. Excess funds will be invested in government securities. Book building is an alternative to public offering (IPO), which is a process of bidding to meet the

demand of large financial institutions, corporations, and high-income individuals to participate in a bidding process without a public offering. This will allow you to set prices based on bids before trading begins, and buy and sell securities at those prices.

In many countries, the Fixed Price method was first used in the organization of IPOs. “This method did not justify itself because it was not the most effective pricing mechanism, as this method caused serious price uncertainties in relation to IPOs. investors are skeptical. That is why the UK began experimenting with auction pricing in the late 1960s and early 1980s. The fact that the electronic auction system is based on the principles of clear distribution of participants to the highest buyers eventually led to the highest open-book book-building method on the London Stock Exchange in the 1990s.” [8] To compare with the above, let's look at the views of some Uzbek economists. In particular, in the textbook of financial market science written by the Uzbek economist S.Elmirzaev and others on the objects of the financial market Credit market, Money market, Securities market, Precious metals market, Insurance and private funds studied in groups such as the market. [9]

In addition, the definition of the financial market in this literature divides the financial market into two parts: the money market; 2 is recognized as a capital market. Another group of economists, A.V.Vahobov and T.S.Malikov, in their textbooks on Finance, describe the structure of the financial market as follows: "The foreign exchange market is an integral part of the money market. The money market, in turn, forms the financial market along with the capital market." [10] Here, scientists have included the currency market in the structure of the money market. Earlier, we saw that American scientists Frederic S. Mishkin and Stanley G. Eakins interpreted the foreign exchange market as a separate segment from both the money market and the capital market. From the above, it is clear that the concept of the stock market (stock market) in Uzbekistan has not been studied as a separate segment of the capital market.

As a result of our research, we came to the following conclusions:

- First of all, during the analysis of the definitions of the terms considered in the article, the term "stock market" is not strictly defined in the legislation of our country, and even in the legislation of the same name, we have seen that the term "stock market" has been replaced by the term "securities", so it is necessary to define the term "stock market" in the legislation, studying the norms of international law and international practice in this regard. In our opinion, the term is fully defined when it is defined as "the stock market is a system related to the conclusion and execution of securities transactions";
- Second, the use of the Small Saving system, India's experience in attracting household financial resources to the stock market, which will allow Uzbekistan to increase the amount of capital in the economy, will increase to \$ 2.5 million by 2025, directing

6% of the total savings of retail investors to the capital market [11] has a positive effect on the task;

- Third, the use of the book building method in the organization of IPOs, which do not currently exist in Uzbekistan, will increase the volume of securities trading in our country. Because, as we have seen in our research, "in most countries of the world, IPOs are priced using the book building method." [12] In particular, the use of this mechanism is an alternative to our country, where the economy is developing, the stock market is in need of reform, the stock market is below the potential of the economy, and the lending system is widely used to attract foreign and domestic capital which enhance opportunities to raise financial resources through securities that are an option. As a result of taking into account the above proposals and putting them into practice, the controversial issues arising from this uncertainty will be resolved by establishing in the legislation a strict definition of the term stock market in Uzbekistan.

In addition, the introduction of the above two elements of world experience ("Small saving" and "Book building") in the structure of the capital market of Uzbekistan would increase the volume of capital attraction to the economy through the stock market.

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