

**STIMULATING ECONOMIC GROWTH THROUGH THE DEVELOPMENT OF THE
SECURITIES MARKET: MECHANISMS, ADVANTAGES, AND RISKS**

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Annotation: The article examines the role of the securities market as an important tool for stimulating economic growth. It analyzes the key mechanisms that contribute to the development of this sector, including attracting investments, improving liquidity, and expanding financial opportunities for businesses. The advantages, such as increased transparency in financial transactions and strengthening investor confidence, are also discussed.

Keywords: economic growth, securities market, investments, liquidity, financial opportunities, transparency, investor confidence, volatility, investor protection, development mechanisms, financial instruments, sustainable progress, capital market, investment risks, corporate bonds.

In the context of the modern global economy, the securities market occupies a key position in ensuring financial stability, stimulating investment, and the efficient allocation of capital. The development of this market can contribute to economic growth and innovation, but its dynamics are influenced by various factors that can have both positive and negative effects. This article analyzes the significance of the securities market development, factors promoting its progress, as well as the advantages and risks associated with this process.

The Decree of the President of the Republic of Uzbekistan, dated April 13, 2021, No. UP-6207 "On Measures for the Further Development of the Capital Market," outlines key directions aimed at stimulating the growth of the capital market, increasing the volume of securities issuance, and expanding the involvement of both individuals and legal entities in securities operations. The document highlights the main aspects that promote the development of this sector:

- improving competitiveness;
- enhancing accessibility to the capital market for all groups of investors through active integration with international financial markets, the use of modern information and communication technologies, and the implementation of advanced foreign practices.

The securities market is primarily a mechanism for convenient, fast, and efficient redistribution of financial resources between participants in economic relations both within the country and on the international stage through securities transactions. Such instruments include shares, bonds, depositary receipts, derivatives, and other financial instruments. The market is constantly evolving, with new, more complex instruments emerging regularly, combining characteristics of various types or being developed for specific conditions. The main goals of an effective securities market are to determine the value of companies and the cost of financial resources both in the long term and short term.

The development of the securities market depends on many factors, including macroeconomic stability, political stability, regulation and supervision levels, the availability of necessary infrastructure, technological innovations, accessibility of information, investor education levels, and trust in the financial system. These factors are interrelated and collectively determine the degree of development and stability of the securities market. Effective interaction between these elements contributes to creating a favorable environment for investments and the growth of the financial sector.

To stimulate the development of the securities market, it is necessary to improve the legal and regulatory environment, strengthen anti-corruption and anti-fraud measures, and improve risk management systems. Important steps include raising financial literacy, developing technological infrastructure, ensuring access to information, and creating effective investor protection mechanisms. These tasks are addressed not only by regulators but also by development institutions, market participants' communities, and large players who can shape and implement the best business practices in various markets. This comprehensive approach contributes to creating a more transparent and stable ecosystem for investment and the growth of the securities market.

A developed securities market plays a key role in the efficient allocation of resources. It ensures the rapid attraction of resources to those entities that can extract benefit and income for investors and owners. This, in turn, increases the overall added value produced in the country's economy and improves the efficiency of resource utilization.

The development of the securities market contributes to attracting external capital for companies, stimulating the implementation of various projects and innovative ideas. It also improves corporate governance, increases business transparency, and stimulates competition. As a result, new jobs are created, and the efficiency of capital distribution improves, which ultimately leads to sustainable economic growth.

When developing the capital market, it is important to focus on several key aspects. Firstly, it is necessary to develop effective regulatory mechanisms that ensure market stability and protect the interests of all participants. Secondly, increasing transparency and accessibility of information for investors is critical for building trust and attracting capital.

With the deepening of market relations in Uzbekistan, an urgent task is the organization and development of monetary and credit relations among economic entities. In this regard, in the Decree of the President of the Republic of Uzbekistan PP No. 291, adopted on September 2, 2023, titled "On Additional Measures for the Development of the Capital Market," the following key directions were outlined:

- By May 1, 2024, correspondent accounts for the JSC "National Clearing Center" and JSC "Central Depository of Securities" will be opened in the Central Bank, which will allow for more efficient settlement operations.
- From January 1, 2025, the accounting of government and corporate securities will be centralized and carried out by the JSC "Central Depository of Securities." The activities of the JSC "National Clearing Center" in the role of the "Central Counterparty" and its functions for centralized clearing will be under the control of the Central Bank.
- By December 31, 2028, the JSC "Central Depository of Securities," JSC "Uzbek Republican Currency Exchange," and JSC "Republican Stock Exchange Tashkent" will be

exempt from obligations to accrue and pay dividends, and all funds obtained from this exemption will be directed towards their further development.

In the near future, dollar loan rates in the capital market are expected to remain high, leading to increased financing costs. However, this is a reality that everyone must accept and continue to move forward.

Capital market legislation, as well as the creation of a reliable legal and technical infrastructure, are of great importance for Uzbekistan.

It is essential to integrate foreign depositaries into our system as soon as possible. Many familiar with the Uzbek capital market are aware of certain technical difficulties. For example, there is a problem with the IT infrastructure, which has been partially resolved in the last two years. However, it is necessary to develop an optimal IT solution that will either upgrade the existing system at the exchange or replace it entirely.

Attention should also be paid to the creation of reliable measures to protect market participants' rights, ensuring their confidence in the fairness and safety of transactions. Ensuring the reliability of technological infrastructure, risk control, and encouraging financial literacy among the population play key roles in the successful development of the capital market.

A comprehensive approach to these aspects will help create a sustainable and efficient ecosystem that attracts investment and promotes the overall development of the economy.

Corporate governance is a system that regulates the relationships between the governing bodies of a company, shareholders, and other stakeholders. Effective corporate governance plays a key role in increasing investor confidence, ensuring the protection of their rights, and increasing the transparency of a company's operations.

An effective corporate governance system creates conditions for attracting investments, as investors prefer to invest in companies that demonstrate high standards of governance and reporting. This, in turn, contributes to the development of the securities market, as companies with reliable corporate governance can more easily attract capital, implement their projects, and achieve sustainable growth.

The principles of effective corporate governance play a key role in creating a sustainable and transparent business environment. Key principles include transparency and openness, protection of shareholder rights, responsibility of governing bodies, good faith, effective control, and auditing.

Following these principles contributes to the creation of a stable and transparent corporate structure, which in turn attracts investors and promotes the development of the securities market.

Effective corporate governance practices play a key role in enhancing the reputation of companies, which in turn increases investor trust and facilitates the capital-raising process in the market. Moreover, these approaches help reduce investor risks and strengthen the stability of the financial system as a whole.

The market continues to develop thanks to banks. Approximately 99% of investors in the government bond market are banks. In our country, there are no insurance companies, pension funds, or retail investors, which limits the diversity of participants. Compared to developing countries like Turkey, despite the challenges of the last two years caused by unconventional monetary policies, Turkey's internal markets remain quite large and actively receive funding.

Uzbekistan's banking sector has become more professional thanks to the implementation of new mechanisms. In late 2022, the primary dealer system was established in the country, under which banks signed agreements with the Ministry of Finance and the Central Bank. These agreements obligate banks to function as primary dealers in the government bond market on the currency exchange, including the obligation to purchase bonds for predetermined amounts and maintain liquidity in the secondary market.

Currently, banks are actively participating in trading on the secondary market for government bonds, and connecting to the Clearstream system (an international central depository) will be a significant step forward. This will open doors for global investors, who will undoubtedly be the first to show interest in the domestic bond market. The next important step should be expanding the pool of investors, as relying solely on banks and the lack of foreign investors makes it difficult to develop the capital market.

Ultimately, the development of the securities market is a key factor in promoting economic growth and financial stability. By improving the regulatory environment, strengthening corporate governance, increasing investor awareness, and ensuring access to capital for businesses, favorable conditions can be created for increasing investments, implementing innovations, and business development. It is also important to consider the need for balancing risks and enhancing control to balance potential benefits with corresponding precautionary measures.

The total capitalization of Uzbekistan's banking system is \$7.9 billion, while total assets reach \$52.3 billion. The four leading state-owned banks – National Bank of Uzbekistan, Agrobank, Asaka Bank, and SQB – together control 46% of the sector's capital, equaling \$3.6 billion, and 49% of its assets, amounting to \$25.8 billion (as of August 16, 2024).

Creating professionalism in the market is a key step that will make the primary dealer system more profitable. As a result, banks will be forced to attract experienced traders, then sales specialists, and after that, risk managers, leading to the development of research departments. Eventually, investment banking divisions will be formed, actively operating in financial markets. This, in turn, will open the way for the development of corporate bonds and shares, creating a self-sustaining growth effect for the market.

The development of the capital market in Uzbekistan represents a key task for ensuring the stability and progress of the country's economy. One of the main aspects of this process is maintaining the stability of the banking sector and the monetary system. Additionally, it is crucial to ensure transparency and openness in the economic system, which helps strengthen trust from investors and market participants.

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