

## EXPANDING SUPPLY ON THE FINANCIAL MARKET AND INCREASING THE ATTRACTIVENESS OF FINANCIAL INSTRUMENTS

Kadirova Khadicha Turaevna

Namangan Institute of engineering and Technology, associate professor of the department "Accounting and audit"

Kadirova1472@gmail.com

---

### ABSTRACT

The article discusses the theoretical foundations of financial instruments. The main ones are securities. Various views of scientists on the essence and definition of securities are considered. The current state of the use of existing securities to attract foreign and domestic investments is analyzed. Proposals are given for the introduction of new financial instruments – municipal bonds - into the domestic financial market. The positive aspects and the effect of their implementation are considered.

**Keywords:** *financial market, securities, investments, financial market infrastructure, bank deposits, treasury obligations, municipal bonds, insurance, insurance services, bank, insurance company, stock exchange, broker, dealer, depository.*

### INTRODUCTION

In modern conditions, when the state takes measures to improve and activate the structural components of the market economy, new financial instruments that allow mobilizing investment resources of domestic and foreign investors become very important sources of mobilization of additional resources for financial institutions. In world practice, the experience of attracting financial resources by issuing state and municipal bonds is widely used to cover the state budget deficit. The process of using new financial instruments and services and improving the trading mechanism of stock exchanges continues in the financial market infrastructure. In order to reach a certain audience of the population, the processes of stratification of investors by income are widely used to attract their investments and increase the attractiveness of financial instruments of issuers.

Issues related to increasing the efficiency of the use of the regional financial market, the development of an effective system of control and regulation of the financial market, increasing the liquidity of financial instruments and expanding their range, reducing the risks associated with them, increasing the level of financial literacy of the population, occupy a special place. Of particular importance are the studies conducted during crises related to the solution of rapid movements, the need to prevent future crises, mitigate the effects of the pandemic, and the processes of market integration.

Large-scale measures are being taken in Uzbekistan to further improve the development of regional financial markets and expand the volume of the financial market. In particular, to create conditions for the diversification of income received by the population from financial activities using the regional financial market, to increase the investment attractiveness of securities of regional issuers, to introduce new financial instruments for the purpose of extra-budgetary financing of regional programs for local governments and to create conditions for their issuance, to make forecasts of the economic efficiency of the implementation of regional programs, to expand the activities of insurance companies to introduce new types of insurance services.

### MATERIALS AND METHODS

The research used methods of scientific abstraction, observation, generalization, grouping, comparative, correlation and regression analysis, economic and mathematical modeling and forecasting. The methodological basis of the research is the dialectical theory of development, the fundamental provisions of economic theory,

including analysis and theoretical generalization of the essence, functions, role and processes of functioning of credit, fictitious capital, financial markets.

The reliability of the results of scientific research is determined by the expediency of approaches, methods and methodology used in the research of leading foreign and domestic economists, the study and generalization of advanced foreign experience, official data of prestigious foreign and domestic organizations, such as: the Ministry of Finance of the Republic of Uzbekistan, the Agency for State Asset Management, the Agency for the Development of the Capital Market, RFB Tashkent, the National Depository, insurance companies, regional joint stock companies, etc. Based on the analysis of statistical data of these organizations, scientific and theoretical conclusions were developed on the development of the conceptual foundations of the development of the regional financial market.

## LITERARY REVIEW

The features and theoretical foundations of the financial market and financial instruments have been studied in a number of studies by scientists. In particular, we can mention such scientists as: G.Bannock, U.Butler, R. Frydman, D.Siegel, J.Shim, P.Rose, B.Taylor. Thus, Joel G. Siegel and Jay K. Shim detailed the main provisions on the valuation of stocks and bonds, stating that: "When evaluating securities, we determine the value (or value) of their assets" [1].

Russian scientist Y.M. Mirkin noted: "Securities markets are one of the key mechanisms for attracting monetary resources for investment, economic modernization, and stimulating production growth" [2].

Domestic scientists: I.Butikov, Sh.Gafurov, A.Vakhobov, N.Zhumaev, R.Karlibaeva, T.Malikov, D.Rakhmonov, O.B.Sattarov, I.Sirozhiddinov, S.Elmirzaev, M.Sharifkhodzhaev, Sh.Shokhazamiy, etc. examined certain aspects of the development of the domestic financial market.

I. Butikov scientifically substantiated the concepts related to the financial market and gave the main characteristics of securities [3]. Sh.Shokhazamiy considered models of financial market development [4], O. Sattarov developed a methodology for taking risks into account when assessing the return on capital for a rating agency [5], I.Sirozhiddinov, H.Kadirova, D.Rakhmonov justified the importance of quality management of the securities portfolio structure, ensuring financial and economic efficiency of investments, as well as the need and importance of their assessment[6].

Analysis and results. (Analysis and Results). One of the main instruments of the financial market and in particular the securities market are securities. Let's consider the views of domestic and foreign scientists on this issue. In part, the different approaches are due to differences in the interpretation of definitions by scientists related to the variety of financial market instruments.

The 1990 Nobel Prize winner in Economics, W. Sharp, in his famous textbook "Investments" gives an expansive interpretation of securities. "This piece of paper, which is a certificate of ownership, is called a security. It can be transferred to another investor, who in this case acquires all the rights and obligations under it. Hereafter, the term "security" means a legally recognized certificate of the right to receive expected future income under specific conditions" [6]. The same approach can be found in another Nobel Prize winner in Economics, Robert Merton, who classifies derivatives as securities [7].

We find an expansive approach to the term securities and securities market in the document of the International Organization of Securities Commissions (IOSCO) on the general principles of regulation of securities markets [8].

American scientists define the term securities from a narrower side, so they refer to them only long-term securities. Derivatives in this case do not fall into the category of securities [9]. According to American law, the term securities is securities issued in series to attract monetary capital, i.e. - stocks, bonds, government debt obligations and derivative instruments from them" [10]. The securities category does not include such instruments as a bill of exchange, a check, or a certificate of deposit.

Among English authors (economists), the term securities usually refers only to long-term instruments, although sometimes, though less often, one can find a broader interpretation - as long-term instruments and money market instruments.

In Russia, the legal definition of a security is given in the Civil Code. Securities include: ... "government bond, bond, promissory note, check, deposit and savings certificates, bearer bank savings book, bill of lading, share, privatization securities and other documents that are classified as securities by securities laws or in accordance with the procedure established by them" [11]. The Law on the Securities Market introduces the concept of "equity securities"[12], which generally corresponds to the concept of investment securities in American law.

Considering the controversy of foreign and domestic scientists, as well as some legislative and regulatory acts on the concept of "securities", it can be noted that they are all based on the fact that securities form fictitious capital.

As Dobrynin A.N. and Tarasevich L.S. noted, "The market value of fictitious capital far exceeds the value of real or real capital" [13].

Chepurina M.N., Kiseleva E.L. note: "the purchase of a security means nothing more than the transfer of part of the monetary capital to a loan", "as a result of the act of loan, the separation of capital – property from capital – function occurs" [14].

"A security is a 'fictitious capital'... Fictitious capital is a paper symbol of real capital... The source of income from fictitious capital is completely hidden, it seems that securities have the ability to generate income by themselves" [15]. The capital is expressed "in securities", "the purchase of ... paper means the transfer of part of the monetary capital to a loan" [16].

Joel G. Siegel and Jay K. Shim in their book "Financial Management" detailed the main provisions on the valuation of stocks and bonds, stating that: "By valuing securities, we determine the value (or value) of their assets" [17].

Mirkin Ya.M. considering securities as duplicates of rights to value, believes that: "Securities represent the rights of individuals, including property rights, to this value, to the material form that it constitutes, rights that are separated from the value itself, existing in an independent material form - in the form of securities" [18].

According to the Law of the Republic of Uzbekistan "On Securities and Stock Exchanges" dated September 2, 1993, "securities are monetary documents certifying property rights or loan relations between the person who issued them and their owner, providing for the payment of income in the form of dividends or interest and the possibility of transferring rights arising from these documents to other persons" [19].

In the new edition of the Law of the Republic of Uzbekistan dated 03.06.2015 N ZRU-387 On Amendments and Additions to the Law of the Republic of Uzbekistan "On the Securities Market" in Article 3 "Basic Concepts", the following definition is given to securities: "securities are documents certifying property rights or loan relations between the legal entity that issued these documents and their owner, providing for the payment of income in the form of dividends or interest and the possibility of transferring rights arising from these documents to other persons" [20]. As can be seen from the definition in the new version of the Law, the word "monetary" is omitted, the word "legal entity" is also added, which means that securities cannot perform the function of money and only a legal entity can be an issuer of securities.

Our domestic scientist Butikov I.L. in his article the securities market of Uzbekistan: new horizons notes: "In the modern world, the realities are such that securities are no longer just fictitious capital, but with proper organization of their market can serve as the most powerful financial lever that can bring the economy to a new, much higher level of development" [21].

The problems of insufficient use of some financial instruments in our republic are also discussed in the article by Butikov I.L., in particular, it was noted: "Despite the fact that in 2007 the mechanism for using the golden share was adopted at the level of the Decree of the President of the country, in practice its use has not been carried out to date, with the exception of isolated cases" [22].

In our opinion, all the above concepts of securities are quite different from each other. They only agree that at present the definition of a security as a document does not correspond to the general trend in the development of the financial market.

The issues of increasing the efficiency of the use of financial instruments also remain relevant at the present stage of the development of the national economy, since one of the prospects for the development of the national financial market should be its entry into the international arena. According to the Russian Export Center (REC), the securities market is an industry that has not yet been integrated into foreign markets, and, in particular, the Russian capital market, but could become a new direction for cooperation between entrepreneurs of both countries. It should be noted that with a significant difference in these interpretations, all securities have common fundamental properties, such as marketability, standardization, seriality, liquidity, risk, regularity and recognition by the state.

The country's money market is the object of the monetary policy of the Central Bank of the Republic of Uzbekistan. Commercial banks of the region have long used in their activities a traditional set of banking products, including deposits, commercial and centralized loans, bank promissory notes, etc. At the first stages of the formation of the money market, this set of financial instruments was quite enough to serve their customers and maintain the necessary level of financial stability in the region. At the same time, the increasing needs of the real sector of the regional economy, the requirements of commercial self-sufficiency, increasing competition

with other financial institutions for free investment resources make it necessary to re-evaluate the effectiveness of the product and customer policy pursued by commercial banks. Expanding the range of banking products and improving the quality of services provided to their customers should become necessary conditions for their survival in market conditions. The development of qualitatively new financial instruments will allow them not only to improve their financial condition, but also to turn into genuine locomotives of reforming the regional economy, capable of stimulating production growth, carrying out structural restructuring of enterprises and increasing the level of real competitiveness of business entities of various forms of ownership.

To activate the government securities market in the region, efforts are needed to expand the range of financial instruments traded here, including consideration of the issue of medium- and long-term securities, as well as other types of treasury securities widely distributed in the financial markets of developed countries.

One of the most pressing problems of local authorities in all countries with transition market economies is the imbalance of local budgets, lack of sources of financing for individual projects of regional scale programs. As world practice shows, an effective means of solving it is the creation of a mechanism for borrowing financial resources from various market entities with the help of municipal securities. The creation of such a mechanism will give the local authorities of Uzbekistan an effective market financial instrument that will allow on an anti-inflationary basis to attract funds from individuals and legal entities for the development of territories, create new jobs, contribute to the saturation of the domestic consumer market, etc.

The resources received from the placement of municipal securities can be used to finance a wide range of investment projects related to the development of the resource potential of the territory (natural resources, labor); the introduction of progressive forms of management; expansion of market infrastructure; development of housing and communal services, strengthening of the material and technical base of health, education, science, culture, environmental improvement of the territory.

Meanwhile, despite the obvious usefulness and prospects of the new segment of the securities market in strengthening territorial finances, there are a number of reasons that hinder its introduction into the practice of the financial authorities of the republic.

According to our research, the domestic government securities market and its investment and financial infrastructure are not sufficiently ready for the issue of municipal loans. A significant factor constraining the formation of the municipal securities market is the high differentiation of the levels of development of the economic environment of various regions of the republic, inherited from the administrative command system.

However, despite the existing difficulties in the formation of the municipal securities market in the Republic of Uzbekistan, its formation should become the central direction of the formation of sustainable regional financial markets. Their successful involvement is of fundamental importance for the whole range of measures to deepen the processes of reforming socio-economic life in the regions, as the development of the municipal securities market in them will contribute to:

- raising funds for the socio-economic development of the regions;
- the release of municipal authorities from the dependent attitude;

- development of the general infrastructure of local securities markets;
- to increase the independence and activity of local authorities;
- institutional development of the securities market in the regions;
- improvement and development of many sectors of the regional economy.

In our opinion, in the future it is necessary to take into account that with the help of issues of certain types of securities it will be possible to finance entire industries or areas of socio-economic development of territories.

Further liberalization of the financial market of Uzbekistan provides for the emergence of a wide range of new financial instruments designed to meet the growing needs of business entities. A clear example of this is the appearance on the regional markets of Uzbekistan of corporate bonds related to stock instruments of high liquidity and characterized by high profitability.

The main prerequisites for the development and distribution of corporate bonds in the Namangan region were low rates of return on such financial instruments of attraction and placement of monetary resources circulating on the domestic market, as interest on bank loans depending on the direction of lending, bank deposits, as well as dividend payments on shares and government short-term bonds. The need for such a financial instrument is also caused by the increasing need of enterprises for borrowed short-term resources and for direct investment of their projects bypassing conventional bank loans. This type of financing, firstly, gives them an advantage due to the opportunity to attract monetary resources at relatively low interest rates than bank loans. Secondly, they have the opportunity to stage-by-stage placement of issues at different times, depending on the need for monetary resources. Thirdly, they are impressed by the less controlled nature of the use of borrowed funds, in contrast to the strict requirements of bank loans. Fourth, they can be viewed as advertising the stability, reliability and creditworthiness of the enterprise.

In addition, the issue of instruments of short-term bond loans with a floating interest rate is also beneficial to the largest joint-stock companies that do not want to dilute the share capital and thereby reduce the profitability of shares. An additional condition ensuring the stability of the exchange rate of such bonds can be the creation of a deferred fund and the gradual repayment of part of the debt during the term of the loan.

In order to increase the level of liquidity or meet other specific needs of investors, it is advisable to introduce bearer bonds that have been circulating in developed securities markets for a long time in the corporate securities market of the regions.

Thus, the creative use of rich foreign experience and careful design of bond loans, in our opinion, will help to expand the possibilities of mobilizing financial resources of Namangan region enterprises, increasing their level of business activity and competitiveness in the debt markets.

An important condition for expanding the range and improving the quality of financial instruments traded in the country's financial market is the formation of an effective regional insurance market. For most investors, financial guarantees provided by an insurance company for certain types of financial instruments eliminate the need for fundamental analysis of information about the issuer.

The key point of further policy development in the insurance market of the region should be the optimization of the proportions in the ratio of voluntary and compulsory types of insurance. In this regard, the main direction of development of the activities of insurance institutions of Namangan region in the future may be an increase in the volume of voluntary insurance of property of individuals, as well as the development of new property insurance products for legal entities.

In order to improve the image and increase the volume of insurance services provided, it is possible to recommend to insurance companies in the region the use of such insurance products and technologies as: drawing up short-term and long-term plans taking into account marketing research of insurance markets, reducing insurance rates for voluntary types of property and life insurance, participation in providing workable population, interaction with companies "Uzbekiston Havo Yullari", "Uzbekiston Temir Yullari", "Uzavtotrans" for greater development of passenger insurance volumes, development and increase of profitable insurance offers to small and medium-sized businesses, provision of benefits for compulsory insurance of citizens' property. Successful implementation of these proposals will contribute to improving the level of social protection of the population, strengthening confidence in the company, increasing its financial stability, increasing the size of the authorized capital and reserve funds, and activating the entire insurance market.

## CONCLUSIONS

One of the main instruments of the financial market and in particular the securities market are securities. A proper understanding of the essence of these financial instruments and a separate approach to each of the types will allow you to effectively invest free financial resources.

On the way to the formation of the national financial market, it is necessary to note its main drawback- its uneven development, it is expressed in the fact that the main volume of stock sales falls on the Center. The development of regional markets is chaotic. The insufficient level of development of the investment and financial infrastructure should be recognized. In this regard, it is necessary to solve the issue of opening in the country a wide network of leasing, factoring and managing investment companies, brokerage, market-making, consulting, underwriting and transfer agent firms, rating and real estate agencies, stock, insurance and legal centers, etc.

It is necessary to increase the level of introduction of information technologies, as well as to resolve issues of information security of the population and insufficient consumer awareness of financial market instruments, the benefits of insurance, including tax benefits on them.

An important element of the investment and financial infrastructure being formed should be territorial stock centers, in the structure of which it is advisable to open marketing departments of regional financial markets, with the help of which it is possible to monitor the process of their institutional and functional formation.

It is necessary to create specialized departments under the regional khokimiyats for the development of the financial market and attracting investments with the provision of appropriate powers to them. The main tasks of the institutional units created in the structure of local authorities should be:

- adoption of regional financial market development programs approved by the khokims of the region;

- development of roadmaps for the implementation of the program "Development of the regional financial market", which should provide forecasts for the issuance of securities, define the conditions for the initial (IPO) and secondary (SPO) public offering of shares of joint-stock companies in the authorized capital of which the state share is 50 percent or more;
- making proposals to higher authorities on the development of regulatory documents that stimulate the development of regional financial markets;
- implementation of operational activities for modern institutional and functional support of the process of formation of financial markets in the regions;
- development of concrete measures to improve the level of financial literacy of the population by establishing active cooperation with responsible organizations related to improving financial literacy, as well as familiarizing them with financial services and products, including the capital market and financial instruments;
- organization of work on the active involvement of leading specialists of advanced foreign educational institutions, research institutes and financial organizations in educational activities to improve the level of financial literacy of the population;
- increasing the disclosure of information about issuers and the most profitable, liquid instruments by increasing the information transparency of the securities market.

The first step towards the realization of this task should be the creation and legislative support of the State Concept of the formation and development of regional financial markets, which should subsequently form the basis of the State Program for the reform of the regional economy of Uzbekistan [23].

Along with the activation of the banking sector and the increase of information transparency of the stock market, one of the effective means of increasing the level of investment attractiveness of the financial market is the formation of a competitive environment. Increasing the level of competition between enterprises of various forms of ownership will have a positive impact on the efficiency of the movement of financial resources, as it will increase the demand for credit and currency resources, government and corporate securities, etc.

## REFERENCES

1. Joel. G. Siegel and Jay K. Shim. Financial management. - M.: Filin, 1997. - p. 155.
2. Mirkin Ya.M. The Russian securities market: the influence of fundamental factors, priorities and mechanism of development. Abstract of the dissertation for the degree of Doctor of Economics. - M., 2003. Website <https://www.dissercat.com/content/rossiiskii-rynok-tsennykh-bumag-vliyanie-fundamentalnykh-faktorov-prioritety-i-mekhanizm-raz> 07. 02.2021.
3. Butikov I.L. Securities market. - Tashkent: Consauditinform, 2001. - 344 p.
4. Shokhazamiy Sh.Sh. Financial market and securities. Textbook. - T.: Iktisod-moliya". 2005. - p. 1.
5. Sattorov O.B. "Uzbekiston Respublikasi bank tizimi barkarorligini ta'minlash metodologiyasini takomillashtirish" mavzsidagi doctoral dissertatsiysi autoreferati. - T.: TDIU, 2018. <https://www.oak.uz> .

6. Sirozhiddinov I.K., Kadirova H.T., Rakhmonov D.A. Moliyaviy menezhment. - T.: Iktisod-moliya, 2020– - 375 b.
7. Tatiannikov V.A., E. A. Razumovskaya, T. V. Reshetnikova. The securities market. - Yekaterinburg-Publishing house: Ural University,- 2019.-p-34. URL: <https://www.sberbank.ru/ru/legal/assets/bill>
8. Merton R. Financial Innovation and the Management and Regulation of Financial Institutions. NBER Working Paper 5096. Cambridge, Mas., April, -1995.
9. Rubtsov, Boris Borisovich Problems and development trends: dissertation... Doctors of Economics: 08.00.10, 08.00.14.- Moscow,- 2000.-p-37.
10. <http://dlib.rsl.r> Objectives and Principles of Securities Regulation. International Organization of Securities Commissions. September 1998 <http://www.iosco.org>.
11. Civil Code of the Russian Federation. [web.livestart.com/s.php?q=civil%20code](http://web.livestart.com/s.php?q=civil%20code), Articles142-143.
12. The Law of the Russian Federation "On the Securities Market", Article 2. [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_5142/](http://www.consultant.ru/document/cons_doc_LAW_5142/)
13. Dobrynin A.N., Tarasevich L.S..Political economy.- St. Petersburg State University of Economics and Finance - Publishing House:- "Peter", 2000. - p.-232.
14. Chepurina M.N., Kiseleva E.L. Course of economic theory. - Kirov: -Publishing house: "Asa", MGIMO of the Ministry of Foreign Affairs of the Russian Federation, 1998. - p.-394-396.
15. Dobrynin A.N., Tarasevich L.S. Political Economy.- Saint Petersburg: - Publishing house:- "Peter", 2000. - p.-382-383.
16. Vidyapin V. I., Zhuravleva G.P. Economic theory.- M.: -INFRA-M, 1997. - p.- 443.
17. Joel G. Siegel and Jay K. Shim in their book "Financial Management",-M.: "Filin",-1997. -p-155.
18. Mirkin Ya.M. The Russian securities market: the influence of fundamental factors, priorities and mechanism of development. Abstract of the dissertation for the degree of Doctor of Economics. - M., 2003. Website <https://www.dissercat.com/content/rossiiskii-rynok-tsennykh-bumag-vliyanie-fundamentalnykh-faktorov-priority-i-mekhanizm-raz> 07. 02.2021
19. The Law of the Russian Federation "On the Securities Market", Article 2. [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_5142/](http://www.consultant.ru/document/cons_doc_LAW_5142/)
20. The Law of the Republic of Uzbekistan dated 03.06.2015 N ZRU-387 On amendments and additions to the Law of the Republic of Uzbekistan "On the Securities Market", Article 3. [lex.uz/docs/2662541](http://lex.uz/docs/2662541)
21. Butikov I.L., Juraev V.D. Introduction of new exchange technologies on the stock market of Uzbekistan.
22. Butikov I.L. Securities market of Uzbekistan: new horizons. // "Bozor, pool va credit",- No. 1,- 2019. <https://finance.uz/index.php/ru/fuz-menu-economy-ru/4502-igor-butikov-rynok-tsennykh-bumag-uzbekistana-novye-gorizonty> 07.02.2021
23. Kadirova H.T. Prospects for the development and improvement of the regional financial market of Namangan region in the field of adoption of the concept of its development. Institute of Macroeconomic Research and Forecasting. // «Iqtisodiyot: tahlillar va prognozlar». Scientific electronic journal -No. 1, 2021.-p-103-108. <https://www.elibrary.ru/item.asp?id=45589349>