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IMPROVING THE METHODOLOGICAL FOUNDATIONS OF ATTRACTING FINANCIAL RESOURCES FROM THE CAPITAL **MARKET**

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ABSTRACT

This scientific article describes the economic essence of the capital market and its significance in the development of the national economy. The dynamics of capital market development and the scientific aspects of attracting financial resources from the capital market have been studied based on the conclusions of scholars. The main directions for capital market development and the practical aspects of attracting financial resources have been analyzed. Proposals for improving the methodological aspects of attracting financial resources from the capital market in Uzbekistan have been developed.

KEYWORDS

Capital market, stock, corporate bond, financial instrument, refinancing rate, devaluation, currency risk.

Introduction

As the country's economy continues to develop, corporate structures operating in industries and sectors experience an increasing need for financial resources. Over the past seven years, the growing scale of production and service activities in Uzbekistan has necessitated the introduction of modern instruments for capital attraction. Moreover, reforms undertaken by large joint-stock companies to attract financial resources from the international capital market have prompted other joint-stock companies

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accelerate efforts in this direction and implement this experience in their practices.

We believe that the effective implementation of legislative reforms aimed at improving Uzbekistan's capital market will naturally contribute to accelerating these processes. In the 2022-2026 Development Strategy of New Uzbekistan, one of the key objectives is to "increase the turnover of the stock market from 200 million USD to 7 billion USD over the next five years by gradually liberalizing capital movement and privatizing large enterprises and their shares (including through the stock exchange)" [1].

Comprehensive efforts are being made to ensure the successful execution of these tasks. However, it should be noted that many joint-stock companies have not fully utilized the opportunities and conditions created for them. Although there are currently more than 630 joint-stock companies operating in Uzbekistan, only five of them participate in the international stock market. Furthermore, only 18.0% of these companies are listed on the national stock exchange and engage in trading their securities.

Therefore, ensuring the participation of joint-stock companies in the securities market and integrating them into the global stock markets has become an urgent issue. In this regard, further scientific research, the study of best international practices. and the development of scientific proposals and practical recommendations for their application in Uzbekistan are of great importance.

Many researchers in Uzbekistan and abroad have studied the role of the securities market in national economic development and the key aspects of attracting financial resources from the capital market.

The capital market refers to a specialized market where savings and investments are allocated between suppliers of funds and participants who need them. The participants in this market include institutional investors. financial institutions, companies, corporations, and governments. The capital market serves as a primary source of financial resources for large companies, while also acting as a significant source of financial income for them [2].

In the current stage of global economic integration, the capital market serves as a "platform" for corporations and large companies to secure key financial resources. Various financial instruments such as derivatives, Eurobonds, precious metals, and crypto assets are actively traded in today's capital market. Theoretically, the capital market is divided into primary and secondary markets [3]. The term "capital market" is broad, encompassing various institutional participants and companies engaged in trading financial instruments. These trades may occur directly through business-tobusiness (B2B) interactions or via digital platforms. The capital market includes the stock market, bond market, and foreign exchange (forex) market. The largest markets are concentrated in major financial centers such as New York, London, Singapore, and Hong Kong [4].

LITERATURE REVIEW

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In recent years, Uzbek economic researchers have also conducted studies aimed at improving the scientific foundations of financial resource mobilization through the capital market.

According to Professor O. Khamdamov, particular attention is being given to attracting financial resources from the international capital market to financing to joint-stock provide additional companies and improve Uzbekistan's sovereign credit rating. He argues that integrating joint-stock companies into the international financial market enhances their international competitiveness and facilitates the adoption of innovative technologies in production processes [5].

International financial institutions possess large financial resources and significant regulatory authority. Today, these institutions constitute the foundation of global financial and credit relations. Cooperation with international financial institutions enables a country to not only attract substantial investments into its economy but also strengthen its position and influence in the global financial system [6].

The securities market plays an important macroeconomic function by redistributing investment resources into more profitable and promising sectors. At the same time, it provides the most efficient means for joint-stock companies to attract financial resources [7].

Supporting M.I. Kasimova's definition of the capital market, we can say that the capital market represents economic relations between economic entities, where demand and supply for investment products are formed. In this regard, Kasimova

legally associates capital markets with investment goods such as cash, securities, and other forms of capital aimed at generating profit [8].

Similarly, R.R. Rubsov defines the financial market as a system of economic relations and institutions associated with the movement of monetary capital [9].

Based on the above, we can conclude that the capital market plays a vital role in allocating financial resources among economic actors. By redistributing idle financial resources among various entities, the capital market contributes to macroeconomic stability.

RESEARCH METHODOLOGY

This employs article various research methodologies, including scientific analysis. generalization, classification, comparative analysis, economic assessment, statistical evaluation, expert assessment, observation, and other analytical methods.

ANALYSIS AND RESULTS

Ongoing political and economic changes at the international level are significantly impacting the infrastructure of the global capital market. Under these conditions, developing economies must consider rising interest rates when attracting financial resources, as companies and corporations are now required to demonstrate higher efficiency in value-added generation.

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The process of attracting financial resources from the capital market by joint-stock companies includes various components and methodological approaches. In this process, the transformation of financial resources takes place, which involves multiple stages, from making investment decisions in the capital market to issuing financial instruments. Additionally, on the issuer's side, this process includes steps from decision-making on preparing the issuance capital raising to prospectus.

The transformation of financial resources in the capital market is equally important for issuers, investors, and the state. Identifying key challenges in capital market development requires analyzing ongoing transformational changes and addressing deficiencies through strategic action plans (Figure 1).

As a key segment of the capital market, the securities market is well-developed and operates on international stock exchanges. We believe that analyzing the capital market's characteristics and segments should begin with the securities market. Moreover, the corporate securities market in Uzbekistan follows international standards in operating terms of principles, regulatory framework, issuer requirements, and corporate governance practices.

Despite specialization in different financial instruments, recent mergers and acquisitions of stock exchanges have led to market consolidation and the universalization of international trading platforms. This has reduced transaction costs and risks for market participants when raising financial resources.

However, the Tashkent Republican Stock Exchange (RSE) lags significantly behind not only leading stock exchanges but also many other stock exchanges in Asia. This limits Uzbekistan's capacity to attract financial resources through the capital market.

For instance, during the first nine months of 2024, a total of 358,510 transactions amounting to 2.44 trillion UZS were conducted with 99 issuers' securities on the Tashkent RSE. Although trading volume has increased fivefold over the past seven years, it remains relatively low compared to GDP ratios of other CIS countries.

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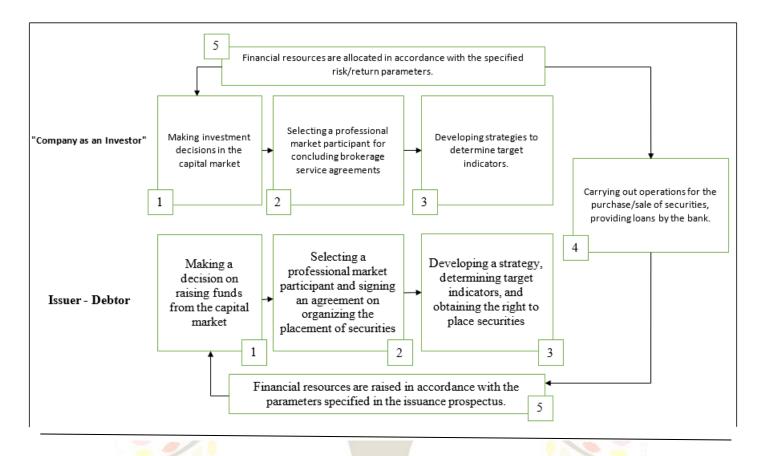


Figure 1. The Process of Transforming Financial Resources in the Capital Market

The globalization and expansion of financial markets on an international scale, the global trend toward a high level of integration between financial and industrial capital, as well as the traditionally strong reputation of banks in the eyes of foreign investors, are among the key external factors influencing the acceleration of investment attraction activities aimed at meeting the needs of joint-stock companies.

The entire set of internal factors affecting the strengthening of banks' activities in supporting the

innovative development of the national stock market should be divided into two major groups. The first group includes the high level of depreciation of fixed assets, the low level of marketing research on potential product markets, the lack of innovation development strategies in many joint-stock companies, as well as issues related to managerial professionalism and the underdevelopment of national investment and financial infrastructure.

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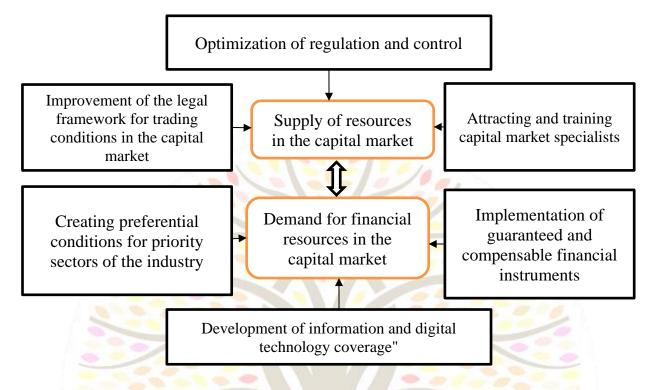


Figure 2. Development Directions Ensuring the Balance Between Supply and Demand for Financial **Resources in the Capital Market**

In our opinion, some large joint-stock companies are unable to independently make decisions regarding attracting the necessary volume of investments in the form of long-term loans, leasing equipment, or investments in securities. Among all financial institutions, only commercial banks have a high level of capitalization, a highly diversified operational structure, and the necessary human and informational resources. This enables them to provide practical assistance to issuing companies in financing modernization programs.

The second group of factors contributing to the strengthening of banks' role as a driving force in the institutional development of the national stock market is related to the banking sector's increasing

interest in further integrating industrial and financial capital. Without these factors, we believe that Uzbekistan's economy may face delays in a competitive position securing on the international stage.

In our opinion, to ensure a balance based on the demand and needs of joint-stock companies for financial resources, effective measures should be implemented in the following key areas (Figure 2). The distribution of financial resources in the capital market based on existing supply and demand factors not only meets the financial needs of corporate structures but also plays a crucial role in increasing added value in the economy.

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CONCLUSIONS AND RECOMMENDATIONS

Currently, the development of the capital market plays a vital role in national economic growth and in addressing financial security issues faced by joint-stock companies. In recent years, significant work has been done to amend legislation, introduce new regulations, and resolve practical challenges in this area.

Additionally, we believe it is necessary to ensure the placement and free circulation of securities issued by highly profitable joint-stock companies in the capital market. Furthermore, financial instruments denominated in foreign currency should be allowed to participate in securities market transactions. This is particularly important given the increasing depreciation of the national currency against foreign currencies, as it helps investors mitigate currency-related risks.

To reduce information asymmetry in joint-stock companies, capital market participants should implement mechanisms for obtaining up-to-date information on capital market trends. Expanding the corporate information portal database by including financial and investment activity results, financial reporting in accordance international standards, and forecast indicators for promising investment projects should prioritized. This would not only provide additional information for investors and shareholders but also support fundamental research aimed at improving the financial and investment activities of joint-stock companies.

One of the key factors in developing the national capital market is financial literacy and the infrastructure of the securities market. It is noteworthy that while the bond market volume was \$70 million in 2018, it reached \$1.5 billion by 2024. However, this growth is primarily attributed to commercial banks, which account for 99% of government bond investments. Unlike international practices, this segment lacks retail investors, pension funds, insurance companies, and investment firms. Therefore, significant changes are required in this direction.

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