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## ECONOMIC MECHANISMS OF ATTRACTING FREE MONEY OF INVESTORS IN THE CAPITAL MARKET

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### ABSTRACT

*This article describes the participation of individual and institutional investors in the international financial markets. This article presents a scientific proposal and practical recommendations for the development of the stock market, bringing foreign and local investors to it and ensuring their activity, improving the industry based on the study of international practice. The experiences of the economical developed and developing countries of the practice of stock and bond markets are studied, and the aspects specific to the economy of our country are justified. Also, the indicators of financial efficiency of the implementation of projects in companies through the process of mass placement of securities were methodologically analyzed.*

**KEYWORDS:** *Stock Market, Share, Bond, Market Capitalization, Securities, IPO, SPO, Capital Market, Investor, Foreign Investment, Fixed Income Securities Market, Financial Instrument, Financial Asset, Securities Market, Shareholder.*

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### INTRODUCTION

Trading processes for shares and bonds of joint-stock companies are carried out on the stock market. The stock market is a part of the capital market. The capital market is considered to be of strategic importance in the development of the national economy, and by attracting local and foreign investors, companies can obtain the necessary financial resources and increase market capitalization. In particular, in 2022, a total of 1,326 initial public offerings (IPOs) of securities were held on stock exchanges that are members of the World Federation of Stock Exchanges, and as a result of these processes, companies raised a total of 163.5 trillion. 81.8 trillion US dollars, including the issuance of new shares. Financial resources in the amount of USD[1] have been attracted. Also, as of July 2023, the market capitalization of companies around the world is 112 trillion. amounted to US dollars[2]. Considering these aspects, it is no exaggeration to say that the stock market is a "locomotive" that develops the national economy.

Experience of economy developed countries shows that the securities market plays an important role in attracting free funds of the population to investment activities and increasing their income, and in the process of globalization this issue is becoming more urgent. One of the main sources of income in the world is the stock market assets. “The capitalization of the global stock market in 2010 amounted to \$50.9 trillion. According to the U.S. Federal Reserve, 52 percent of Americans are shareholders, 10 percent of whom own securities worth an average of \$ 969,000, 40 percent 132,000, and the rest less than \$ 54,000”[3]. In developed countries, we can see assets purchased from the stock markets as the main income of business entities and individuals - company shares, bonds, cryptocurrencies, options and other types of financial assets. Research has also shown that in

developed countries, investment resources are directed to the sphere of exchange - the financial market - which has different views, in particular, the stock market. Therefore, the stock market is one of the main components of the financial market. In addition to the above definitions, according to another view of our economists: securities are products created by issuers and bought by investors, as a rule, through investment intermediaries - institutions that perform the functions of relations between investors and issuers [4].

Capital markets are financial markets that bring buyers and sellers together to trade stocks, bonds, currencies, and other financial assets. Capital markets include the stock market and the bond market. They help people with ideas become entrepreneurs and help small businesses grow into big companies. Capital markets allow traders to buy and sell stocks and bonds, and enable businesses to raise financial capital to grow. Businesses also have reduced risk and expenses in acquiring financial capital because they have reliable markets where they can obtain funding[5].

Financial assets are exchanged (i.e., traded) in a financial market. A financial market for short-term financial assets is called the money market, and the one for longer-maturity financial assets is called the capital market. The traditional cutoff between short term and long term is one year. This is, a financial asset with a maturity of one year or less is considered short term and therefore part of the money market. A financial asset with a maturity of more than one year is part of the capital market [6].

**The relevance of the research subject.** In some countries there are have problems such as, insider trading, market manipulation, systemic risk, regulatory issues, and financial crises, the deficit of financial instruments in the stock market, the low level of attractiveness and liquidity of assets, delays of dividend payments to shareholders and other problems prevent the development of the industry. For this reason, a comprehensive and in-depth study of the factors and problems of development of the securities market, the wide involvement of free funds of foreign and local investors, the use of advanced foreign experience in this area, analysis of the real situation and making proposals for troubleshooting problems are important.

**The problem of the research.** There are large-scale research on attracting and more efficient use of free cash of investors in the development of the global capital market. They cover mainly the role of the capital market in the economy, the types and essence of financial instruments, the importance of attracting free financial resources of investors to the securities market, as well as the issues of control in the stock market. However, these studies insufficiently identified actual problems associated with the development of the capital market by attracting free funds for joint-stock companies. The direction of financial resources into assets with high yield in the stock market and ensuring that their profitability has so far, they have not found their positive decision. This, in turn, determines the relevance of the study on the involvement of free cash of investors to the capital market.

**The purpose of the research.** The purpose of this study is to develop scientific conclusions and recommendations on issues related to economic mechanisms of attracting free money of investors in the capital market.

**The scientific essence of the research.** The fundamentals of the development of the capital market by attracting free money from the population, the stages of development of stock markets, the evolution and mechanisms of attracting free money to them, their scientific, theoretical and methodological aspects have been widely covered in the research works of foreign scientists-

economists, such as M.Ranald[7], S.Patrick [8], A.R.William[9]. Among the scientists-economists from the CIS countries working in this area, A.A.Kilyachkov and L.A.Chaldaeva[10] in their research they described the securities market and the activities of the exchange, and V.A.Galanov and A.I.Basov[11] described the general structure of the capital market.

M.King, E.Sentana, S.Wadhvani[12] analyzed the impact of the volatility of financial instruments on the national economy and developed their scientific proposals and recommendations in the capital market.

F.Mishkin and S. Yakins concluded that the importance and role of the stock market in the world economy is increasing, while the volume of financial instruments is also increasing. Also, along with the characteristics of the use of stock market assets, issues of regulation of their circulation have been widely studied and analyzed [13].

Modern stock markets were researched by B. Rubtsov, and it can be noted that the characteristics of the development of developed and developing stock markets, the types of securities used in them were thoroughly studied [14]. In the development of modern stock markets, it is worth noting the wide use of financial technologies and the attachment of high-efficiency artificial intelligence to trading processes.

From domestic economic scientists S.E.Elmirzayev [15] who researched of influencing dividend policy for the developing of the capital market, F.T.Mukhamedov, O.Alimov [16] researched on improving the system of trade in securities in Uzbekistan and the problems of, as well as scientists in this area, J.I.Karimqulov[17], U.R.Khalikov[18], X.X.Hudoyokulov[19] conducted their own studies and developed suggestions and recommendations on the development of the securities market. Also, in researches of S.Omonov we find scientific conclusions and recommendations are presented on the development of the capital market in Uzbekistan by improving the activities of institutional investors and the use of the opportunities of robo-advisors in the activities of institutional investors[20].

## Research Methodology

Scientifically, there are several research methods in the article while analyzing development of the capital market and its issues. It can be seen that induction, deduction, comparative analysis, trend analysis, abstract and other methods are used in the research.

## Analysis and Results

The distribution of income among investors in the stock market depends on the attractiveness of the capital market. The main focus of investors participating in the stock market is the securities of companies operating in countries such as the United States, Japan, the United Kingdom and China. In developed countries, profitable companies play an important role in increasing the attractiveness of the stock market and attracting investors' free funds. In particular, when we analyze the stock markets of developed countries, we can observe the participation of large national and transnational corporations.

The development of the capital market in the national economy and its integration with the global stock market will be an important factor in meeting the demand for financial resources for local businesses and the development of their businesses. In particular, if we look at the experience of China, Japan and Singapore, the privatization of the country and the sale of state-owned enterprises

to foreign investors through the stock market has created a new flow of financial resources and played an important role in national economic development.

As factors influencing the further development of the stock market and attracting broadly local investors, we can first of all point to the real growth of incomes in the country and the effect of investment in financial markets. Examples of the main forms of earning income from securities, which are financial assets in the stock market, are annual and quarterly dividends, profit from price increases or decreases, interest payments and capital gains[21].

With larger stock markets recording millions of transactions per day, the question arises of how to track stock market developments. Generally, this is achieved via a stock market index, which follows the price development of a group of financial assets traded on an exchange from a single point in time via a single aggregated value. There are several indexes in the world, some very broad and inclusive, while others are focused on specific sectors or asset classes.

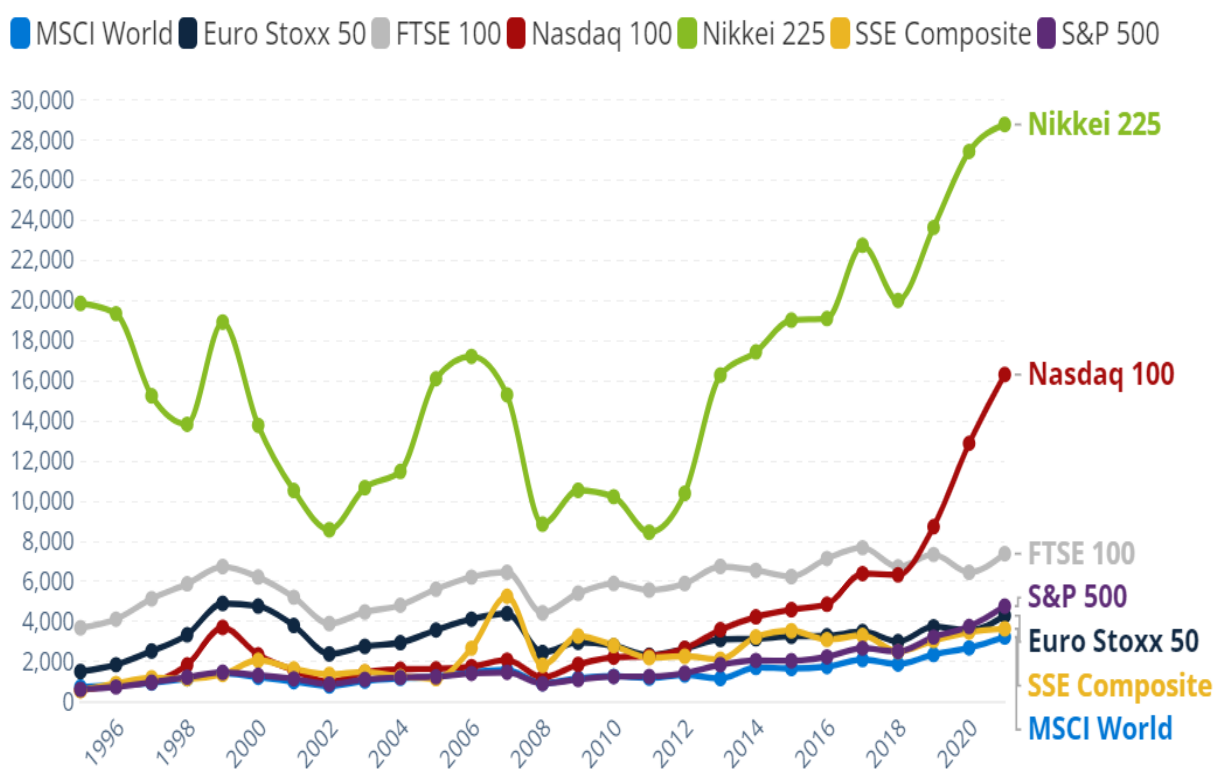
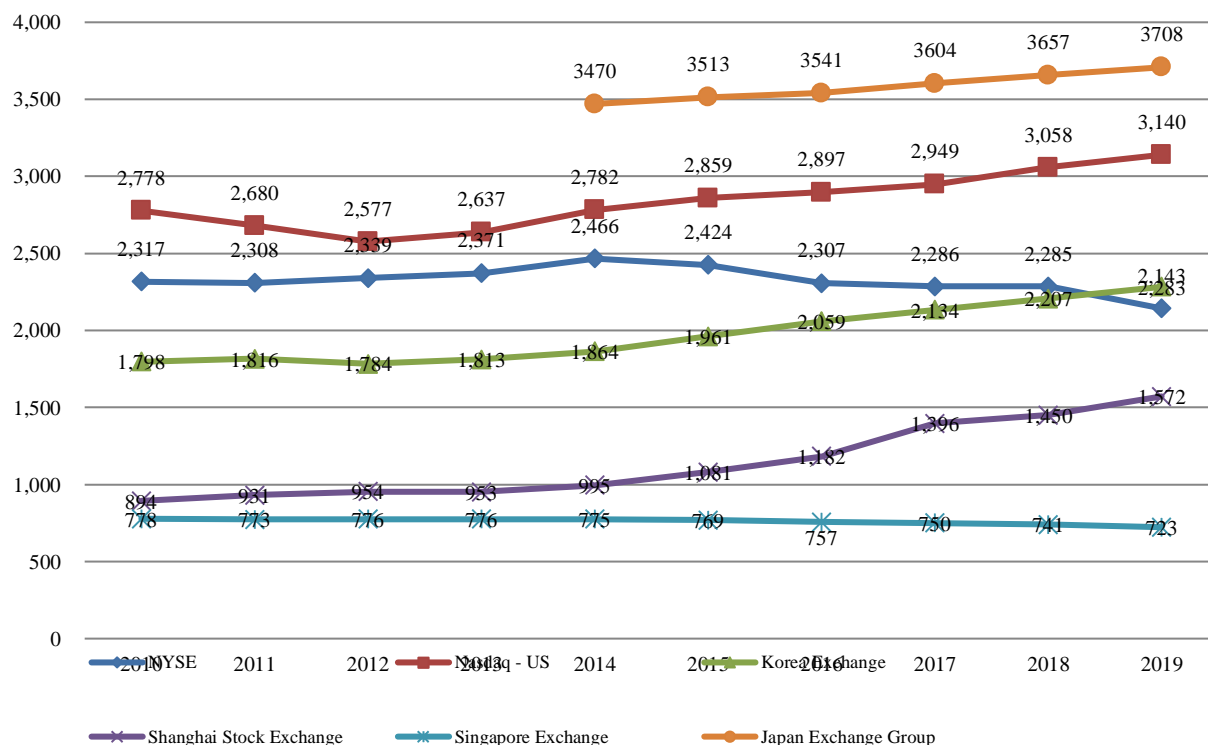


Figure 1. Tracking stock market developments through composite indices [22]

Local exchanges, such as NYSE, NASDAQ, Japan, which include shares of large technological transnational corporations, attract a wide range of domestic and foreign investors due to their attractiveness. In particular, the Japanese Stock Exchange was formed through the merger of the two largest stock markets - Osaka and Tokyo on January 1, 2013, and now the number of companies listed on it is 3708. The number of companies listed on the New York Stock Exchange (NYSE), established in the United States on March 8, 1817, peaked at 2,466 in 2014 and 1963 at the lowest in 2008. Another NASDAQ stock exchange in the country began operations in 1971 and in 2019 traded in shares of 3,140 companies.



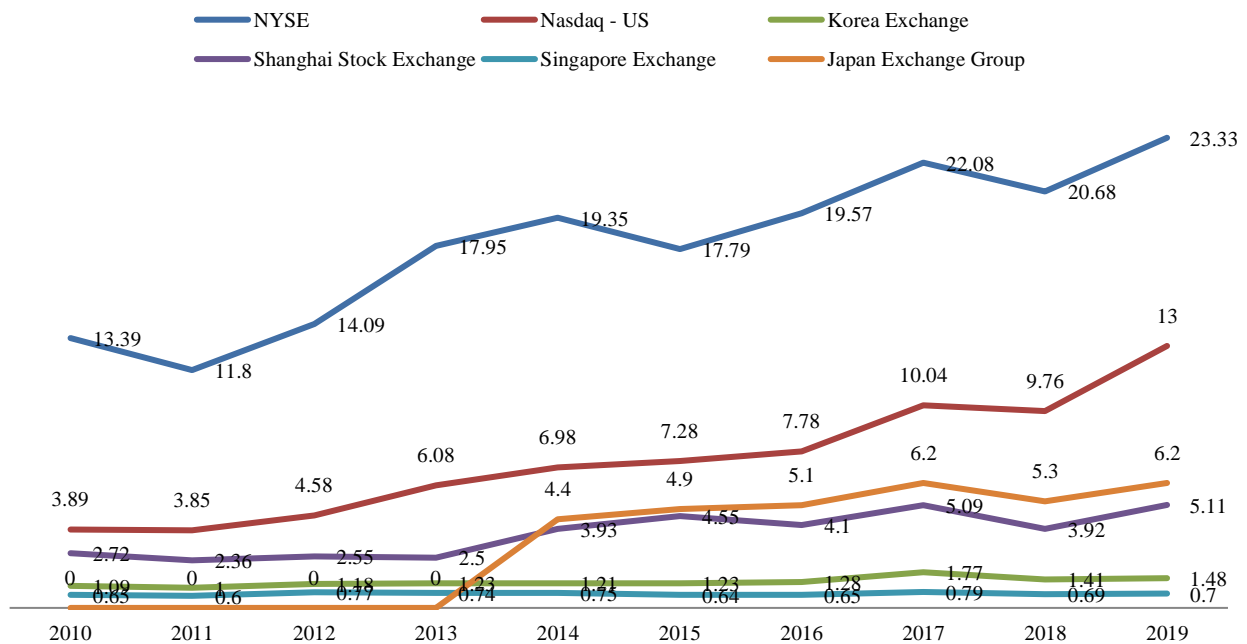
**Figure 1. Number of companies listed on the common stock market of local stock exchanges[23].**

The Korean Stock Exchange was established in 1953 and on January 19, 2005 added the Korean Futures Exchange and KOSDAQ. Currently, 2,283 high-tech companies are trading in shares, bonds and futures.

The Shanghai Stock Exchange, managed by the Securities Commission of the People's Republic of China, was established in 1999. The Shanghai Stock Exchange trades 1,572 companies on two types of shares: A (national currency - yuan) and B (foreign currency - US dollars).

The next, the Singapore Stock Exchange, was established in 1999 by a merger of three major exchanges: the Singapore International Monetary Exchange (SIMEX), the Stock Exchange of Singapore (SES), and the Securities Clearing and Computer Services Pte Ltd (SCCS). At the end of 2019, 723 listed companies traded on the Singapore Stock Exchange. We can observe foreign and domestic investors as the main participants of all the above stock markets. Local investors consist of business entities and the population. In practice, we can observe that in the trading of local stock exchanges, the shares of a company are bought precisely by its workers and employees. New York (NYSE) and Nasdaq stock exchanges in the United States have a special place among the stock markets of developed countries in terms of the level of capitalization of listed companies (Figure 2).





**Figure 2. Annual capitalization of companies listed on the common stock market of local stock exchanges [23]**

The average capitalization of companies listed on the New York Stock Exchange (NYSE) in 2019 is \$ 23.33 trillion. USD, a positive change of 113% compared to the previous period. At the Nasdaq Stock Exchange, the figure was 9.76 trillion. 13 trillion US dollars. To the U.S. dollar (133 percent). Accordingly, we can observe similar positive trends in the remaining stock market in 2019 as well. The capitalization of existing companies in the country, that is, an increase in market prices, leads to an increase in the income of their shareholders - the population.

## CONCLUSIONS

At present, the state has set a number of tasks for the above-mentioned structures responsible for the capital market, including the development of the stock market, attracting local (free funds of businesses and the population) and foreign investors and increasing the capitalization of companies. The effective functioning of these structures is of great importance in the development of the national economy. After all, any investor can easily invest in a reliable and efficient project and markets.

Based on the above scientific research and analysis, the following recommendations were made:

- wide attraction of free funds to the stock market, thereby achieving mutual efficiency, further increasing the financial literacy of the population;
- expanding the flow of domestic financial investments in the stock market;
- simplification of the system of normative and legal acts of the securities market and development of a general code;
- Systematic control over the calculation and payment of dividends by joint-stock companies;

- simplification of the licensing procedure for professional participants of the securities market to conduct operations in the securities market.

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