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The Securities Market, Its Functions and Participants

Muratov Amir Timur ogli [1]

Abstract

The securities market allows governments and businesses to expand their range of financing sources beyond self-financing and bank loans. Potential investors, in turn, with the help of the securities market, have the opportunity to invest their savings in a wider range of financial instruments, thereby gaining greater choice. Unlike other financial and commodity markets, the securities market to the greatest extent requires participants to have a scientific approach to analyzing situations, understanding the essence of securities and the peculiarities of its manifestation in the market.

Keywords*: securities market, financial market, commodity market, financial system, market functions, market participants.*

[1] 3rd year student at Tashkent State University of Economics, Faculty of Finance and Accounting, Department of Finance and Financial Technologies

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Relevance of the topic: Given the scale of the challenges that lie ahead in the coming years, it is clear that emerging market economies such as Russia and Kazakhstan cannot rely solely on the fiscal system and banking sector to finance fundamental economic reconstruction and ensure economic growth. It is obvious that the role of financial markets and, above all, the securities market in this regard becomes extremely important.

The purpose of the study is to show company managers the real opportunities that the securities market provides for solving the pressing problems that confront them in the course of their daily activities.

The type of financial system in a country is determined by four main factors:

- ownership structure;
- quality of the corporate governance system;
- readiness of national investors to take risks;
- the degree of government intervention in economic life.

Countries whose financial system is based on the stock market are characterized by a non-concentrated (dispersed) ownership structure, very limited government intervention in the economy, reliable protection of the rights of minority shareholders, a significant willingness to take risks on the part of private investors and a high level of development of investment institutions.

Advantages and disadvantages of financial systems models.

Typically, a financial system based on a strong stock market is seen as more flexible and better suited for risky, i.e. potentially more profitable projects. Banks within this model are not able to act from a position of strength in relation to non-financial corporations, since the latter rely more on internal sources of financing. As a result, the American model lacks a banking monopoly on financing. Even when banks refuse to finance a particular project, it can still be implemented by resorting to issuing shares or bonds.

The disadvantage of the stock model is the high level of requirements for corporate governance in companies. Abuses by management, controlling shareholders and other insiders that neglect the interests of other stakeholders lead to conflicts, losses, and require high specific costs for corporate governance.

It should also be remembered that small and medium-sized companies cannot always take advantage of the financing opportunities provided by stock markets due to existing restrictions from below on the volume of securities issues.

Main part.

The securities market is an integral part of the financial market. Therefore, in general terms, the securities market can be defined as a system of economic relations regarding the issue and circulation of securities. From this point of view, the securities market differs from other markets only in the object of transactions: if for commodity and resource markets these are goods and resources, respectively, then specific objects are traded on the securities market - securities.

Functions of the securities market. The securities market can perform several functions, which can be divided into two groups:

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1. “General market” functions inherent, as a rule, in any market. Such functions include:

- commercial - securities market participants seek to make a profit from transactions with securities;
- price - on the securities market, under the influence of demand for securities and their supply, market prices of financial instruments are formed;
- informational - with the help of the securities market, its participants receive the necessary information about the securities being traded, about events that affect the prices of financial assets, as well as other useful information. In addition, it must be taken into account that the securities market is sensitive to current and expected changes in the political, socio-economic and other spheres of society. In this regard, generalized indicators of the securities market are used as one of the macroeconomic indicators characterizing the state of the country's economy as a whole;
- regulatory - the rules for the issuance and circulation of securities, methods for ensuring the rights and legitimate interests of participants in transactions, and a procedure for resolving conflicts that arise are established for the securities market.

2. Specific functions unique to the securities market. The most significant of them include the following:

- regulation of investment flows to ensure an optimal structure for the use of financial resources. It is through the securities market that a significant part of the redistribution of capital in the economy is carried out, ensuring the highest return on investment;
- ensuring the massive nature of the investment process. The securities market allows any economic entity (including those with a nominally small investment potential) to make investments - both financial (since securities themselves are an investment object) and real (when purchasing shares of a new issue);
- The securities market is an important instrument of state financial policy. With the help of government securities, the state can solve several problems:
- financing budget deficits at various levels;
- financing of specific economic projects;
- regulation of the volume of money supply in circulation;
- maintaining liquidity of the financial and credit system.

In addition to them, the securities market also performs another specific function - insurance of price and financial risks (so-called risk hedging). This becomes possible mainly through the use of derivative securities - options and futures.

A variety of financial instruments are traded on the securities market. Therefore, there is a classification of individual segments of the securities market, based on the classification of the securities themselves. From this point of view, securities markets can be divided into the following types:

- depending on the circulation of securities on international markets - interstate and national;
- taking into account the market coverage of specific securities within the territory of the state - federal and regional;

- by type of traded securities - stock market, bond market, derivatives market, etc.;
- depending on the type of securities issuer – markets for state, municipal and corporate securities;
- taking into account the involvement of their issuers in transactions with securities - primary and secondary;
- according to the method of organizing trading in securities - organized and unorganized, exchange and over-the-counter.

Conclusion:

In general, in transactions with securities on an organized market, three parties can be distinguished:

a) issuer of issue-grade securities - a legal entity or executive authorities or local government bodies that bear, on their behalf, obligations to the owners of securities to exercise the rights secured by the securities. As can be seen from this definition, the issuer of issue-grade securities can be the state represented by executive authorities at the federal and subfederal levels, and local governments, joint-stock companies and other commercial organizations, banks, and other legal entities.

By issuing securities, the issuer can solve the following problems:

- mobilization of financial resources for the implementation of their investment projects, replenishment of working capital;
- increasing the company's equity capital;
- change in capital structure;
- repayment of accounts payable by providing creditors with a portion of the issued securities;
- restructuring of debt payments.

b) investor - a legal entity or individual who carries out transactions with securities on its own behalf and at its own expense. Investors can pursue various goals: for example, banks, by investing money in securities, can significantly increase their liquidity while receiving a certain income. Securities play a special role in the activities of institutional investors - investment funds (joint stock and mutual funds), non-state pension funds and insurance companies, being the main object of their investment.

If the purpose of an investor's acquisition of the issuer's securities is to gain control over this company, then he is usually classified as a strategic investor. Often securities are purchased by an investor only for the sake of making a profit from transactions with them. In this case, the investor is considered to be making a portfolio investment, and such an investor is classified as a portfolio investor.

c) professional participant in the securities market - legal entities carrying out the types of activities specified in the law - On the securities market. It should be taken into account that, according to this law, all types of professional activities in the securities market are carried out on the basis of a license issued by the federal executive body for the securities market or bodies authorized by it.

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