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WAYS TO ATTRACT THE FOREIGN INVESTMENTS TO THE CAPITAL MARKET



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Abstract. The article gives proposals for the development of the activities of corporations, increasing their activity in the capital market, investment financing of new modern projects, and further development of the economy through the capital market.

Key words. Joint-stock companies, capital market, investment, start-ups, hedge funds, development of companies through investment banks, technological innovations, economic development.

Introduction

The capital market is the foundation of a country's economy, and its development is essential for sustainable economic growth and social welfare. Investments play a significant role in this market, serving as a vital means of bringing new resources into the economy, creating jobs, supporting innovation, and enhancing national competitiveness. This article explores the primary functions of investment in developing the capital market and its socio-economic impact.

In developed countries, the capital market system has been key to fostering economic growth. Without a capital market and its participants, an economy cannot thrive. Uzbekistan has also set plans and enacted legislation to develop its capital market. However, these efforts alone are insufficient; practical measures inspired by the experiences of advanced economies are required. In the capital market, financial assets are transformed into tangible wealth, driving growth in trade and industry sectors and promoting economic expansion. In countries with underdeveloped capital markets, household savings tend to be directed into less productive or inefficient channels, often limited to visible consumer goods or left unspent, ultimately hindering economic growth.

As outlined in the 2021-2025 development strategy for Uzbekistan's capital market, the creation of a national IPO/SPO stock market can become an effective tool for promoting privatization and advancing the financial market. Transparent and open privatization processes, along with ensuring the disclosure of necessary information, are expected to increase interest among both domestic and foreign investors. State programs focus on attracting active investments, particularly by implementing reforms aimed at increasing the volume of direct investments. Considering the role of this sector in promoting economic growth, it is essential to promptly implement the proposed strategy, thereby advancing the country's financial market.

Literature Review

Existing literature in economics and finance, particularly regarding the role of investment in capital market development, includes contributions from foreign and local scholars whose work has been analyzed and appropriately defined by specialists.

1. Elmirzayev discusses methods for establishing international finance, stock, and investment markets and the role these play in financing new companies and projects, providing insights into their financial viability.

2. Barr's work on political economy offers valuable insights into capital market experiences in developed countries, attracting citizens' funds to the stock market and accelerating venture capital projects.

3. Taxumova and Kasatkina provide information on the formation of international financial and stock markets, particularly on financing new companies and projects, substantiating these concepts from a financial perspective.

4. Vahobov emphasizes the importance of financing new projects through the capital market and investment funds rather than relying on bank loans.

Research Methodology

For economic growth in Uzbekistan, the capital market must develop. To achieve this, we should examine the experiences of capital markets in developed countries. Currently, the stock market's share in Uzbekistan's economy is minimal, with many companies relying on bank loans for financing. However, this is not the most effective approach. Using hedge funds, investors, or investment banks' resources can enable companies to grow rapidly. Several solutions can help address this need.

The Importance of the Capital Market

The capital market is a system for attracting and managing long-term financial resources for companies, governments, and other organizations. It meets the economy's financial needs through issuing and trading various instruments, including stocks and bonds. A well-functioning capital market ensures economic growth stability, promotes efficient resource allocation, and contributes significantly to national economic development by attracting investments.

Discussion and Results

The Role of Investment in the Capital Market

Investment involves channeling available funds into various projects, technologies, or production processes to generate future income. Investments play a critical role in the capital market by supporting several essential economic functions:

1. Provision of financial resources

Investments supply the capital market with financial resources necessary for different economic sectors. These funds allow companies and organizations to finance new projects, modernize technological processes, and expand production. For example, companies can attract new investors by issuing shares, using these funds to enter new markets or update existing resources.

2. Efficient allocation of capital

Investments in the capital market are directed toward economically viable projects. Investors seek to place their funds in secure, high-return opportunities, leading to the efficient allocation of resources. Efficiently allocated capital contributes to the development of various economic sectors, enabling economic diversification and stability.

3. Encouraging Innovation

Innovation and technological advancement are integral to the modern capital market. Investments help finance the development of new technologies and innovative solutions. Innovations enhance economic efficiency and enable the creation of new products and services. As a country's innovation potential increases, its competitiveness in international markets also strengthens.

4. Job creation

With investments flowing into the capital market, new businesses and projects emerge, leading to job creation. Investments are especially important for small and medium-sized enterprises, as they support growth and expansion. This, in turn, boosts employment, increases incomes, and improves social welfare.

5. Attracting foreign investments

A developed capital market creates a favorable environment for attracting foreign investment. Foreign investors are particularly interested in well-developed capital markets, as they offer financial stability and high returns. Foreign investments provide new financial resources for local companies, supporting their growth and entry into international markets.

The Role of the State in Capital Market Development

The state plays a crucial role in developing the capital market. Creating a healthy and efficient capital market requires several factors:

- **Financial Regulation:** The state should establish and enforce regulations for the financial sector. These regulations are primarily aimed at protecting investors' interests, ensuring transparency, and preventing fraud.

- **Legal Infrastructure:** A strong legal system allows investors to protect their rights, thereby increasing confidence in the capital market.

- **International Cooperation:** To develop the capital market, cooperation with international financial institutions and attracting foreign investors is essential. This process increases capital flows and accelerates economic growth.

Several factors are needed to advance the capital market, including establishing dedicated hedge funds and investment banks with their own capital. Commercial banks should also enter the stock markets. For a stock market to develop, bank participation must be strengthened. Banks must be financially strong and independent to engage in investment activities. By meeting listing requirements, fees, and maintaining fair and transparent operations, banks could enter international markets like the London or New York Stock Exchanges in the future. Stock markets and IPO processes are among the most effective ways to attract investments. Companies capable of pursuing these activities will

be successful in the future. Through these steps, our banks can finance new projects and startups, generating substantial economic benefits.

Conclusion and Recommendations

Investments are a crucial factor in developing the capital market. They provide essential financial resources to the economy, support innovation and technological renewal, create new jobs, and ensure economic stability. Developing a national capital market enhances the country's competitiveness on both a national and international scale. Therefore, supporting the capital market and creating incentives for investments should become a key part of government policy.

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