

THE STRATEGY OF INVESTMENT DEVELOPMENT OF THE STOCK MARKET: THEORETICAL ASPECT ON THE EXAMPLE OF RUSSIAN EXPERIENCE

Sarvar Rejabbaev

Researcher, Tashkent state university of economics, Republic of Uzbekistan

Abstract. *The article examines the strategy of the objective necessity of investment development of the stock market in a competitive environment. The system of scientific views on the formation of the "stock market" category in both foreign and domestic literature has been studied. It was revealed that the concept of "stock market", formulated by foreign authors, is more consistent with the realities of the market economy, its uncertainty. This approach expands the possibilities for strengthening the role of the stock market in investment processes. An efficiently operating economy is impossible without an optimally functioning stock market capable of attracting investment resources. Measures are proposed to strengthen the regulatory infrastructure of the state in the field of legislation through the development of rules and the establishment of requirements for information about persons who are the ultimate beneficiaries of Russian enterprises to reduce risks and ensure the demand for issued financial instruments; to improve taxation of services provided to financial market participants; to optimize the dividend policy in order to attract domestic and foreign investors, including retail.*

Index terms - financial instruments, finance, strategy, investment, fund, stock market.

Introduction

In a market economy, the stock market plays an important role in the development of a country. It regulates many socio-economic, financial processes, including aspects of capital investment and mobilization of funds from the population. The creation of an efficiently operating stock market is one of the components of increasing the level of stability and competitiveness of the financial system, attracting the population to actively investing their savings in securities. To ensure the inflow of investments into the real sector of the economy, measures of strategic government regulation are needed to promote the development of a mechanism for the optimal functioning of the stock market through:

- development of domestic institutional investors;
- increasing the efficiency of the technical infrastructure of the stock market;
- improving the two-level system of the stock market;
- to provide investment resources for economic entities, state policy should be based on the goals of comprehensive support for domestic producers, through trust in the stock market.

At the same time, the presence of a significant amount of free funds from Russian citizens, on the one

hand, and the urgent need for these funds from the manufacturing sector of the economy, on the other, require an optimal way to attract funds from small investors to collective investment institutions. This actualizes the creation of a system for the effective

protection of investors' interests and prevention of uncertainty, risks, prevention of crises in the activities of collective investors. The development of the stock market is negatively affected by the insufficient number of qualified intermediaries capable of providing conditions for attracting funds from the population. They do not refer to the stock market as a reliable means of placing their own financial resources and enterprises. They prefer not to part with their controlling stakes, although selling even a part of the stake on the market could become a source of additional investment. The above stipulates the objective need to develop and substantiate a modern long-term investment strategy for the development of the Russian stock market, taking into account the current realities in the global market. A strategic look at changes in the past and the future in the stock market logically involves identifying the factors that determine the development of the stock market. This, in turn, requires defining the content of the "stock market" category. There are different views on the essence of the concept of "stock market",

methodological approaches to its study and, finally, little attention is paid to the motivation of a person to make investments in securities by potential investors. It should be noted that when analyzing the various processes taking place in Russian economic science, a person, his motivation, and the psychology of behavior are not sufficiently taken into account, if not even not taken into account at all. In foreign economic literature, a person as a subject of a market economy is covered in various aspects. This is evidenced by the well-known works of foreign researchers, including Nobel Prize winners. Further, a systemic financial analysis requires the study of ways to improve the work of collective investors in the stock market, since in modern conditions, according to the author, they can become potential sources of mobilizing funds from the population in the economy. "For example, foreign corporations widely use such models of financial analysis as a system of algebraic equations, a linear programming model, etc. The result of the application of these models is the development of forecasts for such indicators as the stock price, dividend per share, earnings per share, plans for the issue of shares of corporations and etc. " [4]. The state has not clearly defined the boundaries of its intervention in the mechanisms of the stock market, the possibilities of increasing its competitiveness in comparison with other emerging markets.

Literature review

To successfully solve the above problems, it is necessary to choose from the existing methodological approaches to defining the category "stock market" one that would meet the realities of uncertainty, risks and specific conditions of the modern market. There are various methodological approaches to defining the concept of "stock market": traditional, systemic, functional, integrated, etc. With this approach, the stock market is viewed mainly as a field of activity, where buyers and sellers of stock values are brought together C. Liu, Y. An [1], Y. Sun, Z. Chen[2], A.H. Kunz, C. Messner, M. Wallmeier [3], E. Bouri, Q. Chen, D. Lien, X. Lv [4], B. Moreno [5], U. Oberndorfer [6], M. Qamruzzaman [7], Aktam, B., & Bobir, T. [9].

Influencing factors and measurement of A share option value of structured funds were researched by C. Liu, Y. An [1], Aspect of Financial Security of Industrial Enterprises Under Influence of Global Crisis investigated by Tursunov B. [8;10;11;12;13;14]. But there are other approaches as well. According to the author, the most successful is the methodological approach, in which the "stock market" is not only the function of buying and selling securities. The experience of foreign countries shows that the stock market for

effective development, on the other hand, is an important factor in success in the national economy. The difference between the stock market and the market of any other product is that it serves to form money capital, and later becomes one of the sources for investment by business entities in the development of production or in the increase in the authorized capital. Based on this argumentation, a quantitative, strategic, situational approach to the essence of the stock market category is more reasonable (I. Ansoff, C. Dow, O. Cournot, G. Markowitz, D. Murphy, B. Karloff, A. Thompson, P. Drucker, G. Kuntz, F. Fiedler, etc.). Such approaches involve carrying out quantitative estimates using mathematical statistical calculations. The strategic approach includes the development of directions for the development of the stock market and making informed decisions when choosing the methods of investment decisions. The aforementioned researchers draw attention to the need to take into account the specific situation in the market, applying various models of the stock market. The conditions on the market have changed, and the specific goals, methods of organizing and regulating the stock market are changing. The investment climate is subject to uncertainty and risk depending on the situation in the domestic and foreign markets. Stock market trends potentially demonstrate the most likely behavior of a rational market player. The portfolio approach was developed in the matrices of I. Ansoff, General Electric, McKinsey and others [1; 2; 3].

Analysis and results

Currently, the portfolio approach is widely used in strategic analysis at all levels of the national economy. Based on the foregoing, we can say that the stock market is a complex organizational and economic organism, consisting of separate interconnected, interdependent elements. This system of providing the production of goods and services with the necessary investment resources expands the circle of investors, intensifies cash flow, ensures the processes of its distribution and redistribution between sectors of the economy and enterprises. As the analysis has shown, there is no single model for the functioning of the stock market, since each country has its own specific features in its formation and development, which predetermines the need to take into account historical experience, as well as traditions, socio-political and financial economic conditions. The most important factor in the development and functioning of the stock market is its infrastructure. It is known that infrastructure is an organizational and legal system that operates on the basis of legislation and coordinates the activities of financial institutions in the stock market. The infrastructure of the stock market is a

technological system that uses information technology and represents a set of channels that promote information, investment resources, property rights in the economic space of a given market. That is, the infrastructure of the stock market includes the following blocks, in our opinion: regulatory, advisory, evaluation, technological, settlement and clearing, accounting, information. The management of the formation and development of the stock market, aimed at its optimization in conditions of uncertainty and risks, should be based on the synergy of the stock market system, when one direction of the actions of infrastructure subsystems enhances the efficiency of the system as a whole. The legislative infrastructure plays a critical role in the system. The regulatory legal framework in the field of the securities market is constantly being improved and supplemented. Significant changes in the legal framework took place in 2017–2018, in particular, in the field of taxation in the securities market, activities of professional participants. In December 2017, the Federal Law "On the Securities Market" was amended on the emergence of the institution of investment advisers in Russia starting from December 2018. The role of investment advice consists in consulting services in relation to securities, transactions with them and (or) conclusion derivative contracts in the provision of individual investment advice that matches the client's investment profile. Investment advisers must be members of self-regulatory organizations, but their activities are not licensed. Hopefully, the formation of the institution of investment advisers in Russia will help to dramatically increase the

number of people participating in trading on the securities market. At present, according to statistics from scientists, their number is a small proportion of the able-bodied and financially active population (1 percent). It is well known that in developed foreign countries, most of the population is participants in stock market trading. The lack of financial thinking and education among the majority of the population leads to a huge number of overdue loans and other unpleasant phenomena among the population "[5]. This process is, according to the author, at the initial stage. Financial literacy training should be carried out in a comprehensive manner, systematically cover all regions of the country. The discipline "Financial literacy" must be objectively included in training programs, starting from kindergartens, including universities. Various forms and methods of teaching financial culture are organized in the Republic of Buryatia, including at the Buryat State University. Our country has developed a Strategy for the Development of the Stock Market of the Russian Federation for the Period until 2020. Analysis of target and actual indicators of the stock market development shows that when developing the Strategy, there were too optimistic forecasts that do not take into account risks in the global financial market. The analysis shows that the number of retail investors in the securities market in 2008 compared to 2020 should have increased 25 times from 0.8 million to 20 million, respectively. In 2017, the number of retail investors reached only 1.0 million people, and it is difficult to achieve the targets in the remaining 3 years.

Table-1

Indicators of the development of the stock market of the Russian Federation for the period 2008-2020

Index	2008 y	2017 y	2020 y plan
Capitalization of public companies, trillion rubles	32,3	34	170
Capitalization to gross domestic product ratio,	97,8	39	104
Number of retail investors in the securities market, million people	0,8	1	20

The stock market is one of the most convenient and optimal ways to obtain financial resources for continuous technological changes, expanding markets for products and, as a result, increasing competitiveness. This source of funds is cheaper than a bank loan: freedom from obligations, interest, etc. From the data in Table. 1 shows that the capitalization of public companies is far from the predicted ones and with a high degree of probability it will not be achieved. In general,

the Strategy turned out to be unrealistic, very far from the truth, from the realities of today's market, neither in terms of the capitalization of public companies, nor in terms of the ratio of capitalization to GDP as a percentage. Some experts believe that when developing the Stock Market Development Strategy, not the most successful of the standard strategies existing in the theory were chosen, on the basis of which, in particular, a program of actions for professional stock market

participants can be developed, depending on the situation on the stock market and forecast scenarios for its change. Such scenarios can be, for example: auction, arbitration, optimization, rating, flexible response to changes in the external environment, market lead and others. First, these strategies allow one to take into account that the same asset may have a different price in two different, including geographically distant, markets. Secondly, the strategies make it possible to determine the target orientation of the securities portfolio in terms of the combination of the risk of uncertainty, profitability and liquidity of investments. Third, flexible response to changes in the external environment. It lies in the fact that investors (both large and small), having received complete market information, will be able to use their economic and financial capabilities on equal terms to access the stock market. Fourth, stock prices are subject to frequent fluctuations, which are not always adequate to real changes in the affairs of business entities. In our opinion, the functioning of the mechanism for the strategic development of investment in securities is carried out not in a separate time period, but continuously throughout the entire investment process, starting from the moment of formation of strategic guidelines and until the complete completion of the investment cycle. But the main structural components of the functioning of the mechanism for the strategic development of investment in securities should be a certain sequence of carefully designed actions, a set of procedures, measures, methods, analysis aimed at achieving the desired performance. The mechanism should include a complex of impact of regulatory and administrative regulations governing the activities of individual and institutional investors, as well as other subjects of the investment sphere. The way out of the situation with the implementation of the Strategy lies in the sphere of state regulation, or rather, the quality and validity of the programs being developed, adopted and approved. It should be remembered that when the predicted points differ tenfold from the real data, there is also a socio-psychological aspect. This discrepancy between the actual and target indicators implants in the minds of the population a dogma about the ineffectiveness of the system for developing state programs, the potential impossibility of attracting a wide range of retail investors.

Conclusions

The study showed the need to take into account that the total value of Russian companies reflected by the securities market is still inappropriate to the real value, that is, the Russian market is still significantly underestimated. The difference between the country's

stock market and foreign ones is its raw materials orientation. Unfortunately, we do not see any movement of investment investors towards high-tech non-primary industries. In 2015, the Russian government introduced individual investment accounts (IIA) to attract the part of the population that traditionally prefers bank deposits. In June 2017, this provision was enshrined in the introduction into the Federal Law "On the Securities Market" 1 in terms of increasing the maximum amount of money that can be deposited on the IIA in the amount of 1 million rubles. instead of 400.0 thousand rubles (within a calendar year). The maximum amount of the investment deduction has not changed and is 13% of the amount deposited on the IIA. To create a synergistic effect in the functioning of the stock market, an optimal combination of all subsystems of the stock market infrastructure is required. The information infrastructure should work adequately, allowing timely taking effective measures to prevent and suppress speculative and unfair activities in the stock market, in terms of providing insider information. It is necessary to strengthen the regulatory infrastructure of the state in the field of legislation, namely, to ensure the protection of investors' rights through the development of rules and the establishment of requirements for information on persons who are the ultimate beneficiaries of Russian enterprises in order to reduce risks and ensure the demand for issued financial instruments.

References:

1. C. Liu, Y. An. Influencing factors and measurement of A share option value of structured funds. J. South China Univ. Technol., 04 (2016), pp. 29-35
2. Y. Sun, Z. Chen. A comparative study on investment strategies of innovation-oriented structured mutual fund. Future Dev., 10 (2018), pp. 66-69
3. A.H. Kunz, C. Messner, M. Wallmeier. Investors' risk perceptions of structured financial products with worst-of payout characteristics J. Behav. Exp. Finance, 15 (2017), pp. 66-73
4. E. Bouri, Q. Chen, D. Lien, X. Lv. Causality between oil prices and the stock market in China: the relevance of the reformed oil product pricing mechanism. Int. Rev. Econ. Financ., 48 (2017), pp. 34-48.
5. B. Moreno, P.P. da Silva. How do Spanish polluting sectors' stock market returns react to European Union allowances prices? A panel data approach. Energy, 103 (2016), pp. 240-250
6. U. Oberndorfer. EU emission allowances and the stock market: evidence from the electricity industry. Ecol. Econ., 68 (4) (2008), pp. 1116-1126

7. *M. Qamruzzaman, J. Wei*. Investigation of the asymmetric relationship between financial innovation, banking sector development, and economic growth. *Quant. Fin. Econ.*, 2 (2018), pp. 952-980

8. *Tursunov, B. (2020)*. Aspect of Financial Security of Industrial Enterprises Under Influence of Global Crisis. *Asian Journal of Technology & Management Research*, 10(01), 116-122.

9. *Aktam, B., & Bobir, T. (2019)*. Features Of Investment In Mutual Fund: In Case Of Russia (No. 2019-29-12).

10. *Tursunov, B.* Strategic Planning of Production Capacities in Textile Enterprises. <http://avekon.org/papers/2179.pdf>

11. *Tursunov B. O.* Principles and functions of management of production capacity //Вопросы управления. – 2017. – №. 3 (46).

12. *Ibragimov, I. U., & Tursunov, B. O. (2017)*. Enhancement the mechanism of analyzing of the methodological principles for the development and improvement of methods of assessment. *Аудит*, (4), 11-13.

13. *Ortikmirzaevich, T. B. (2017)*. Principles and functions of management of production capacity. *Journal of process management. New technologies*, 5(4), 61-68.

14. *Ortikmirzaevich, T. B. (2017)*. Improving logistics as main factor in textile capacity usage. *Zbornik radova Departmana za geografiju, turizam i hotelijerstvo*, (46-2), 44-52..

IJSEER