

THE ROLE OF GOVERNMENT AND INSTRUMENTS IN THE DEVELOPMENT OF THE LOCAL CAPITAL MARKET

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Abstract: This article examines the role of the local capital market in economic development and analyzes the regulatory functions of the government and the application of financial instruments. The study focuses on institutional reforms, improvement of the legal framework, protection of investor rights, ensuring market liquidity, and the introduction of modern financial instruments. In addition, current challenges in the development of the capital market in Uzbekistan and practical recommendations for addressing them are presented.

Keywords: capital market, government regulation, investment instruments, financial infrastructure, securities.

INTRODUCTION

In the global economy, the capital market is considered one of the most important sources of economic growth. Ensuring long-term investment flows, financing corporate activities, maintaining state budget stability, and supporting economic modernization processes largely depend on the effective functioning of the capital market. In recent years, Uzbekistan's capital market has entered a new stage of development, characterized by the introduction of modern financial instruments, electronic trading systems, and the rapid expansion of IPO processes.

At the same time, strengthening the institutional foundation of the market, improving regulatory mechanisms, and ensuring transparency remain among the priority directions of state economic policy. In this context, the active role of the government in regulating and supporting the capital market is of particular importance.

Section I. Concept, Structure, and Importance of the Capital Market

The capital market is a platform where long-term financial resources circulate and where securities such as shares, bonds, derivatives, and investment fund units are traded. It provides business entities with opportunities to attract investment resources and serves as an important instrument for ensuring macroeconomic stability for the state.

The capital market consists of the following segments:

- Equity market
- Bond market



- Derivatives market
- Collective investment funds
- Stock exchange and over-the-counter (OTC) markets

The development of the capital market enables efficient allocation of financial resources, strengthens corporate governance, increases competitiveness, and facilitates the attraction of international investment flows into the national economy.

Section 2. The Role of Government in the Capital Market

The formation and development of the capital market involve the government through both direct and indirect instruments. The main functions of the state in this area include the following:

1. Establishment of a legal and regulatory framework

- Laws on the securities market
- Issuance standards
- Audit requirements
- Investor protection regulations

2. Development of financial infrastructure

- Central depository
- Clearing institutions
- Electronic trading platforms
- Licensing systems

3. Ensuring market liquidity

- Issuance of government securities
- Introduction of market-maker mechanisms
- Activation of stock exchange trading

4. Promotion of international integration

- Cooperation with international rating agencies
- Integration with global stock exchanges
- Creation of a favorable legal environment for foreign investors

Section 3. Instruments for the Development of the Capital Market

1. Government securities

Government securities contribute to economic stability, serve as liquid assets for the banking system, and create a foundation for capital market development.

2. Corporate bonds

These debt instruments, issued by private companies, represent a relatively cheaper source of financing compared to traditional bank loans.

3. IPO and SPO processes





Public offerings allow companies to raise capital, improve transparency, and create new opportunities for investors.

4. Market makers

Market makers help maintain price stability, increase trading volumes, and strengthen investor confidence.

5. Fintech and digital platforms

Electronic investment applications, mobile brokerage services, and blockchain technologies are shaping a new stage in the development of the capital market

Section 4. Challenges in the Development of the Capital Market in Uzbekistan

- Low level of financial literacy among the population
- Limited number of brokerage and dealer organizations
- Slow development of IPO processes
- Low activity in the corporate bond market
- Insufficient information transparency
- Low market liquidity

Addressing these challenges requires a comprehensive and systematic approach from the state.

Section 5. Conclusions and Recommendations

The development of the capital market is crucial for increasing the investment attractiveness of the economy, ensuring sustainable growth of the private sector, and attracting international investments.

Recommendations:

1. Develop state programs aimed at improving financial literacy.
2. Introduce incentives to accelerate IPO processes.
3. Expand the corporate bond market.
4. Increase the number of market participants.
5. Develop electronic investment platforms based on fintech solutions.
6. Strengthen independent institutions that protect investor rights.

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