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THE ROLE OF INSTITUTIONAL PARTICIPANTS IN THE CAPITAL MARKET

The development of the economy during the transformation period is inextricably linked with the formation of an effective capital market. Financial aspects of economic growth and sustainable socio-economic development traditionally belong to the priority areas of scientific research, since financial resources largely determine the pace and prospects of any economic system.

The modern Uzbek capital market is in the stage of formation, and many of its parameters are significantly inferior to similar indicators of Western markets. At the same time, the practice shows that the Uzbek capital market has been actively developing in recent years, and there are all the prerequisites for its further improvement. The ongoing reforms on the capital market give their results. In particular, the reduction of the level of state interference in the economy, ensuring transparency of government agencies, and the creation of favorable conditions for foreign investment have been noted.

The realization of the potential of the capital market depends on the quality of its functioning, which, in its turn, is determined by a complex of external and internal factors. As we know, despite a considerable inflow of private investors which is observed all over the world today, the role of institutional investors as well as their share in the market is only growing. Thus, for example, according to some data, these investors now provide more than 50% of the annual turnover of securities in the US market. The research of existing laws, modern tendencies of formation and functioning of the capital market, and study of conditions and factors of its development in the period of transformation of economic relations are not only from general theoretical but also from practical positions. It also shows the urgency of the investigation by us given the theme.

If we consider the classification of institutional investors, they include such institutional investors as non-state pension funds, insurance companies, investment companies and funds, hedge funds, and others. In the economic literature, there are also three types of financial institutions: credit (banks) - direct intermediaries; contract insurance (pension funds and insurance companies) - conditional intermediaries, because the payment of the result of the investment is conditioned by an insurance case; collective or investment (mutual funds, investment companies) - both direct and conditional.

There are the following financial and credit organizations: banks, financial companies, investment funds, savings banks, pension funds, mutual funds, hedge funds, insurance companies, financial groups, etc.

Table 1

Classification of institutional investors

№	Types of institutional investors	Characteristics of investors
1.	Not private pension funds	They accept contributions from participants for funded pensions and, to protect them from depreciation, are forced to conduct investment activities.

Continuation tab. 1

№	Types of institutional investors	Characteristics of investors
2.	Insurance companies	They invest insurance premiums and funds transferred to participate in special programs (e.g., endowment life insurance).
3.	Investment companies and funds, hedge funds.	The main activity of such organizations is the trust management of investors' funds. The service is becoming increasingly popular, as many individuals who are new to investing do not want to spend the time and effort to learn the basics and implement independent investing.

The main functions performed by institutional investors are:

1. Accumulation of funds of clients - individuals and companies.
2. Investment of these funds, receipt of profit, and distribution among participants.

As a rule, these functions are fulfilled by investing client funds in the following assets:

- shares of companies;
- government and corporate bonds,
- other debt securities;
- foreign currencies;
- real estate.

The pursuit of asset liquidity leads to the fact that the main activity of institutional investors is concentrated not in investments in real sectors, but in trading on financial markets and making profits from speculative operations.

Meanwhile, private retail investors and small companies (and owners of large capitals in the case of hedge funds) find it more profitable to work through such market participants due to

- a professional level of asset management, precise strategies, and some market preferences;
- a high level of diversification, practically inaccessible for small traders;
- special mode of payment of commissions for trading operations and, as consequence, attractive size of commissions of the companies themselves.

The role of institutional investors in trading is that the capital owned by institutional investors allows them to transact in volumes that can significantly affect the market prices of assets. However, large players in practice do not seek such explicit exposure for several reasons:

- at the time of a major transaction, it is usually inevitable that the price of the asset will change for the worse, something in which the company itself is by no means interested;
- a clear demonstration of the intentions of a large investor allows small investors to open deals in the same direction, which, naturally, reduces the profit opportunities of the initiator of such a movement.

Because of this, institutional investors frequently employ specialized techniques that let them conceal high-volume trades. They can also benefit from the opportunity to execute block trades, for which the orders are only recorded on the tape and appear with a delay rather than being displayed in the order book or market.

Based on the foregoing, we can conclude that institutional investing is the primary method used by small investors to accumulate funds in the capital market and a key component of the system used to implement efficient mechanisms for mobilizing population savings and turning them into investments for the real sector of the economy. Because it serves as a jumping-off point for the deployment of the investment process, this process' economic essence is made clear. Institutional investing performs a dual role in the capital market: on the one hand, it acts as a go-between for small investors and market participants; on the other hand, when performing the asset management function, institutional investors take on the role of market participants and engage in specific relationships regarding the circulation of securities.

By concentrating all of the aforementioned roles, institutional investors take the top spot in the concept of capital market development, which establishes their primary role in the process of capital concentration on the stock market and establishes the dependence on the improvement of national institutional investors' activity on the rise in the savings rate.

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