

## WAYS TO EFFECTIVELY ORGANIZE THE PARTICIPATION OF INSTITUTIONAL INVESTORS IN THE SECURITY MARKET

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In the effective implementation of economic reforms in our country, it is important to organize innovative development, create a healthy investment environment, and attract institutional investors to the economy. Therefore, it is important to attract institutional investors to the capital market of our country, to expand their participation, and to develop the capital market. In spite of the role of the capital market is large in developed countries, it should be noted that the importance of the capital market is growing in developing countries as well. Institutional investors play an important role in capital market development in many developed and developing countries, and institutional investors are seen as a source of financing for the corporate sector. In the development of the capital market, tasks such as effectively establishing the activities of institutional investors, creating the necessary conditions for their free operation, increasing investment attractiveness, and ensuring the openness and reliability of information are given priority. To fulfill these tasks, first of all, it is necessary to pay attention to the opinions of a number of researchers in studying the essence of the activities of institutional investors and the importance of institutional investors in the capital market. Based on the study of international research, it should be noted that there are differences in the analysis of the categories of companies classified as institutional investors in the studies of economists. It should be noted that pension funds, insurance companies, commercial banks and investment funds are recognized by most scholars as institutional investors.

**Table 1**

**Categories of institutional investors according to the studies of various economists<sup>1</sup>**

| №  | Economists            | Categories of institutional investors   |
|----|-----------------------|---|
| 1. | Stephen<br>A. Lampkin | <ul style="list-style-type: none"><li>• Insurance companies;</li><li>• Pension funds;</li><li>• Collective investment funds;</li><li>• Hedge funds;</li><li>• Trusts etc.</li></ul> |

<sup>1</sup> The table was created by the author based on economic literature (Stephen A. Lumpkin. Fostering and Regulating Institutional Investors. - <http://www.oecd.org/finance/financial-markets/1843907.pdf>; Jaksa Christo, Alen Stojanovic, Anita Pavkovic. Impact of institutional investors on financial market stability: lessons from financial crisis. // International Journal of Diplomacy and Economy January 2014. – P. 17 - <https://www.researchgate.net/publication/264815558>; Serdar Çelik, Mats Isaksson. Institutional investors and ownership engagement. // OECD Journal: Financial Market Trends, Volume 2013/2 - <https://www.oecd.org/corporate/Institutional-investors-ownership-engagement.pdf>; Sam Bourgi. Who are institutional investors? December 18, 2018. - <https://mutualfunds.com/education/who-are-institutional-investors/> ).

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| 2. | Jaksa Christo,<br>Alen Stojanovic,<br>Anita Pavkovic | <ul style="list-style-type: none"> <li>• Pension funds;</li> <li>• Insurance companies;</li> <li>• Hedge funds;</li> <li>• Different investment funds.</li> </ul>  |
| 3. | Serdar Celik,<br>Mats Isaksson                       | <p><b>1. Traditional institutional investors:</b></p> <ul style="list-style-type: none"> <li>❖ Pension funds;</li> <li>❖ Insurance companies.</li> </ul> <p><b>2. Alternative institutional investors:</b></p> <ul style="list-style-type: none"> <li>➤ Hedge funds;</li> <li>➤ Private equity firms;</li> <li>➤ Sovereign funds.</li> </ul> <p><b>3. Managers of investment assets.</b></p> |
| 4. | Sam Bourgie  | <ol style="list-style-type: none"> <li>1. Investment funds</li> <li>2. Pension funds</li> <li>3. Charitable funds</li> <li>4. Insurance companies</li> <li>5. Commercial banks</li> </ol>  |

Agreeing with the opinions of the above scientists, it can be noted that in international practice, private pension funds, insurance companies, commercial banks and investment funds are recognized as the main institutional investors in the capital market.

There are a number of differences between institutional investors and individual investors in the capital market, and it can be seen that institutional investors have an advantage over individual investors according to the degree of coverage or scope. It should also be noted that this advantage is evident in indicators such as market influence, access to resources, and investment opportunities.

The main goal of institutional investors is to increase capital in the stock market and keep it liquid. Actively investing in stocks is the primary function of institutional investors. Institutional investors invest their assets in securities based on the principles of reliability, diversification, return, profitability and liquidity in order to ensure financial stability.

Although there are opportunities to "increase local and foreign private investments in the economy" in Uzbekistan by increasing the activity of institutional investors in the capital market<sup>2</sup>, the lack of development of the capital market, the inactivity of institutional investors in the capital market, the low level of profitability of financial instruments in the capital market, the experience of developed countries to the local capital market are insufficient there are a number of problems such as non-implementation, underdevelopment of the capital

<sup>2</sup> Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis and the people of Uzbekistan, 20.12.2022. <https://president.uz/uz/lists/view/5774>

market infrastructure, insufficient integration of the local stock exchange with international stock exchanges. Therefore, it is appropriate to solve such issues as "development of capital market infrastructure, development of the state securities market, improvement of financial literacy and qualification of capital market participants"<sup>3</sup>. In addition, to develop the capital market and increase the activity of institutional investors in the capital market, as well as to comprehensively study the specific aspects and problems in the development of organizational and practical mechanisms of the activities of institutional investors in the capital market, to use advanced foreign experiences in this field, to develop proposals for eliminating existing problems is important.

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