
GUIDELINES FOR EFFECTIVE USE OF CORPORATE BONDS IN THE DEVELOPMENT OF THE CAPITAL MARKET

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Along with developing countries, Uzbekistan also has many untapped opportunities in economic and financial processes, such as economic development and stabilization of the financial market. In particular, the attraction of financial resources from the capital market by means of new types of bonds in the financial market serves the emergence of long-term debt obligations in the financial market, and as a result of the use of the generated funds in the production and service sector, creating additional value. helps to increase. In particular, the issuance of Eurobonds, green bonds, and municipal bonds in the bond market by the issuers of our country creates the basis for the emergence of new opportunities for attracting financial resources through bonds. The transfer of the funds raised for the placement of the first sovereign Eurobonds to commercial banks is not of strategic importance and serves only to cover the costs associated with the placement and payment of interest. In our view, the capital value of Eurobonds should be disclosed so that sovereign or corporate Eurobond placements can serve as a benchmark for other issuers. It can be said that the issuance of sovereign bonds in 2019¹ was a test experiment for Uzbekistan. After that, the issuance of sovereign bonds on behalf of the Republic of Uzbekistan is accelerating. This, in turn, will be directed to the effective use of the proceeds from the placement of international bonds of our country, including the financing of investment projects of strategic importance in further improving the welfare of the country and our people.

Speculative income is an unpredictable income in the market. There are several ways to identify promising stocks that may increase in value. Investors who follow a speculative investment strategy try to buy stocks at

¹ Resolution No. PQ-4258 of the President of the Republic of Uzbekistan on April 2, 2019 "On the effective use of funds from the placement of the first sovereign international bonds of the Republic of Uzbekistan".

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a low price and sell them when they reach the peak of their price with maximum margin. However, no one can guarantee that the stock will increase in value in the market.

As of November 2024, 205,822.36 billion of 681 joint-stock companies are in the Central Depository. soums with a total nominal value of 23,117.53 billion. number of share issues is being calculated. During the 9 months of 2024, the volume of share issuance is 16,110.24 billion. to soums, and the number of shares is 5,170.13 billion. increased by one. The Central Depository also has 1,405.7 billion issued by 39 issuers. total amount is 1.26 million soums. corporate bonds account is kept. 801.5 billion of them. 695.2 thousand units with a total amount of soums were issued by 32 LLCs.

Table 1 Key Differences Between Stocks and Bonds: Comparison Chart²

Characteristics/Parameters	Action	Bond
Type of stock	Shareable	Debt
Issuer	Companies with the organizational form of "Joint-Stock Company".	State, municipalities, companies with any form of management
Terms of use	Not guaranteed, not specified	May have a guaranteed, fixed amount
Potential benefits	Tall	Low
Period of ownership	Not limited	There is a deadline
Risk level	Higher	Lower
Rights and powers	The owner of securities can participate in the company's business and has the right to own its property	There is no right to participate in ownership and management

Shares are more suitable for those who are prone to risky methods of capital investment. The risks are much higher, but the returns are not comparable to bonds. Therefore, all investment decisions should be carefully analyzed.

² The deposit was prepared by the author based on the information of the official website - <https://depozit.uz/bonds>

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This process takes a significant amount of time, not to mention that the investor must be knowledgeable about the principles of the stock market.

Simply put, the main difference between stock and bond investment strategies is that stocks aim for higher returns with greater risk, while bonds aim for safer and more predictable but lower returns.

While the strategy of investing in shares is primarily aimed at obtaining the maximum possible profit, taking into account the risk taken, bond holders prefer to receive much lower returns in exchange for low risk, government guarantees, credibility of the issuer, etc.

From the given table, we can see that the range of issuers in the state securities market is limited. The number of issuers in the market of corporate securities is extremely large. Joint-stock companies or limited liability companies that want to enter the open market have a very high share in the stock market because they strive to increase their prestige and attract cheap capital for the implementation of innovative projects. Due to the relatively low default risk of states, government securities appear as a risk-free asset on the stock market. Investors determine their expected return on government securities. That is, we can witness that the risk premium for investments in corporate securities in the stock market applies. Based on the premium for risk, we should note that the risk level of corporate securities is high.

The Central Depository also keeps records of securities rights of 56 investment intermediaries and their clients. As of November 1, 2024, the number of clients of investment intermediaries who opened deposit accounts amounted to 704.20 thousand, including 57.89 thousand legal entities and 646.31 thousand individuals. Compared to the same period last year, the number of deposit accounts increased by 1%. The total volume of securities managed by investment intermediaries is 22,226.02 billion by nominal value. 7,433.10 billion soums. one share and 1,085.81 bln. 0.98 million soums. formed a corporate bond³.

There are also a number of advantages for the issuer when the joint-stock company is financed by corporate bonds. The main advantages of this type of financing are that in this case, the enterprise itself determines the

³ Prepared by the author based on information from the official website of the Central Securities Depository - <https://uzcsd.uz/>

important and non-important conditions for attracting debt funds. From this point of view, bonds become a source of cheap financing. It should be taken into account that the decision to issue bonds can be made by the general meeting of shareholders or by the supervisory board as defined in its charter. As a result of the study of the current state of the corporate bond market, the following conclusions and proposals were formed from the point of view of the development of the capital market in the future:

- ensuring the mutual competition of banks and the stock market in the financial market serves to accelerate economic development. Because in this, both parties strive for innovative development;
- state securities are issued primarily to cover the state budget deficit, and are also issued in the long-term order to finance infrastructure projects. Corporate securities are issued for financing and implementation of long-term projects;
- due to the fact that the primary link of the economy is the micro-economy, and the basis of the financial system is corporate finance, the market of corporate securities is the most important part of the financial market. Macroeconomic development accelerates only when the market of corporate securities is based on continuous development;
- the market of corporate securities must provide investors and the population with the opportunity to invest in a wide range of projects. In this case, under normal conditions of the business environment, the prospects of projects serve to reduce the capital price of corporate securities;
- diversification of investments in shares and corporate bonds on the basis of both issuers and sectors and industries makes it easier for investors to manage risks. On the other hand, the use of all types of shares and bonds by corporate issuers serves diversification in capital attraction.

List of used literature:

1. Resolution No. PQ-4258 of the President of the Republic of Uzbekistan on April 2, 2019 “On the effective use of funds from the placement of the first sovereign international bonds of the Republic of Uzbekistan”.
2. The deposit was prepared by the author based on the information of the official website - <https://depozit.uz/bonds>
3. Prepared by the author based on information from the official website of the Central Securities Depository - <https://uzcsd.uz/>