

FINANCIAL MARKET AND ITS INSTRUMENTS

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Abstract: This article is devoted to the analysis of the financial market and its instruments in the context of the modern economy. We explore the main aspects of the functioning of the financial market, identifies the main types of financial instruments and assesses their role in the modern financial system. The article also discusses the main advantages and risks associated with the use of financial instruments in the market.

Key words: financial market, financial instruments, shares, bonds, derivatives, investments, risks, liquidity, securities, portfolio investments.

Аннотация: Данная статья посвящена анализу финансового рынка и его инструментов в контексте современной экономики. Мы исследуем основные аспекты функционирования финансового рынка, выделяет основные виды финансовых инструментов и оценивает их роль в современной финансовой системе. В статье также обсуждаем основные преимущества и риски, связанные с использованием финансовых инструментов на рынке.

Ключевые слова: финансовый рынок, финансовые инструменты, акции, облигации, деривативы, инвестиции, риски, ликвидность, ценные бумаги, портфельные инвестиции.

Introduction. The financial market plays a key role in the economic life of any country, ensuring the efficient allocation of capital, facilitating investment processes and contributing to the development of the financial system as a whole. It is a dynamic environment where transactions are carried out in various types of financial instruments such as stocks, bonds, derivatives and others.

In this introduction, we will consider the main aspects of the financial market and its instruments, identifying their key characteristics and role in the modern economy. Understanding the functioning of the financial market and its instruments is important for investors, financial analysts, companies and government agencies as it helps them make informed decisions about capital allocation, risk management and investment strategies.

We will also discuss the main types of financial instruments, their features and role in modern financial practice. From stocks and bonds to derivatives and foreign exchange, each financial instrument has its own unique characteristics and uses that must be considered when making investment decisions or trading in the market.

So, the purpose of this article is to provide the reader with a comprehensive overview of the financial market and its instruments, as well as to identify key trends and prospects for the development of this area in the modern economy.

Main part. The financial market is one of the most important components of the modern economy, providing mechanisms for the exchange of financial assets and capital. It is a dynamic and complex environment where various participants such as investors, brokers, financial institutions and government agencies interact. In this part of the article we will look at the main aspects of the financial market and its instruments, as well as their role in the modern economic system.

The financial market performs a number of important functions in the economy. One of its main functions is to provide access to capital for companies and governments by issuing and trading securities such as stocks and bonds. In addition, the financial market provides investment and portfolio diversification opportunities for investors, as well as the implementation of mechanisms for risk management and stabilization of the financial system.

The financial market offers a wide range of instruments for investing and trading. Among them are the main ones:

Shares: Shares in the ownership of companies, giving investors the right to share profits and participate in management.

Bonds: Debt that companies or governments issue to raise capital. Bonds provide investors with a fixed income and a return of principal in the future.

Derivatives: Financial contracts based on the value of an underlying asset (eg futures, options, swaps) that allow investors to hedge against risk or speculate on price changes.

The financial market plays an important role in stimulating economic growth and development. By providing access to capital for companies, the financial market promotes innovation, job creation and increased production. Moreover, financial instruments help investors implement their investment strategies and achieve their financial goals.

Despite the importance of the financial market, it is also subject to a number of challenges and risks. These include regulatory changes, financial crises, price volatility and macroeconomic factors.

While researching the topic, we identified the following problems and expressed our scientific proposals to them, which include:

Problematic situations that the financial market may encounter and proposals for scientific solutions:

✚ Lack of transparency:

Problem: Uneven access to information can create unfair conditions for different market participants, as well as contribute to the formation of bubbles and inefficient price dynamics.

Scientific solution: Introducing modern technologies to ensure market transparency, such as digital platforms for trading and information dissemination, as well as strengthening regulatory requirements for reporting and disclaimer.

✚ Financial instability:

Problem: Financial crises can arise due to unforeseen factors, such as oversupply of credit, rising inflation or macroeconomic imbalances, and have a negative impact on the entire market.

Scientific solution: Development and implementation of tools for monitoring and early warning of financial crises, improving macroeconomic analysis and forecasting, as well as strengthening regulatory supervision and control over financial institutions.

✚ Market manipulation:

Problem: Price manipulation, falsification of reports and other fraud can distort market signals and create risks for investors and market stability.

Scientific solution: Development of algorithmic methods for detecting and preventing market manipulation, introducing data protection and authentication tools, as well as tightening legal standards and penalties for manipulative behavior.

✚ Ineffective risk management:

Problem: Poor understanding and management of risk can lead to unexpected losses for investors and financial institutions, as well as increasing systemic risk for the entire market.

Scientific solution: Development of new methods for assessing and managing risks, training market participants in the use of innovative financial instruments to reduce risks, and improving regulatory oversight of risk management in financial institutions.

Conclusions and offers. In conclusion, the financial market and its instruments play a pivotal role in the functioning of modern economies. Through the interaction of various financial instruments such as stocks, bonds, derivatives, and currencies, the financial market facilitates the efficient allocation of capital, risk management, and price discovery. It serves as a conduit for investors to deploy their savings into productive investments while providing opportunities for businesses to raise funds for expansion and innovation.

The dynamism and complexity of the financial market necessitate robust regulatory frameworks and oversight to maintain stability and protect investors'

interests. Additionally, technological advancements continue to transform the landscape of financial markets, introducing new instruments and trading platforms, as well as enhancing efficiency and accessibility.

However, the financial market is not without its challenges. Issues such as market volatility, systemic risks, and information asymmetry pose significant threats to market integrity and stability. Moreover, disparities in financial inclusion and access to capital persist, hindering the realization of inclusive economic growth.

In light of these challenges, it is imperative for policymakers, regulators, market participants, and stakeholders to collaborate in addressing the evolving needs and risks of financial markets. This requires continuous monitoring, adaptation, and innovation to ensure the resilience and efficiency of financial systems.

Offers:

- Enhance regulatory oversight: Strengthen regulatory frameworks and surveillance mechanisms to detect and mitigate systemic risks, market abuse, and misconduct.

- Promote financial literacy and inclusion: Invest in educational initiatives and programs to improve financial literacy and expand access to financial services, particularly among underserved communities.

- Foster innovation: Encourage innovation in financial technology (Fintech) and digitalization to enhance market efficiency, transparency, and accessibility while managing associated risks.

- Strengthen risk management practices: Implement robust risk management frameworks and standards across financial institutions to enhance resilience and mitigate the impact of market disruptions.

- Improve transparency and disclosure: Enhance transparency and disclosure requirements to ensure the availability of accurate and timely information for market participants, investors, and regulators.

- Foster international cooperation: Promote international cooperation and coordination in regulatory and supervisory efforts to address cross-border challenges and promote financial stability.

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