
THE ROLE OF INVESTMENT FUNDS IN THE GLOBAL CAPITAL MARKETS: SOME EMPIRICAL EVIDENCE

SULTONBOEVA MUNIRA

Abstract

Keywords:

securities, capital market, global investment, mutual funds, money market.

Based on the mentioned types and forms of investments, investment activity is a set of measures for the practical implementation by all investors of entrepreneurial, business and other activities not prohibited by the state, the expenditure of funds and their implementation in practice. This article examines the investment movement and efficiency aspects of investment funds.

Author correspondence:

SULTONBOEVA MUNIRA

Associate Professor, Doctor of Science in Economics (DSc), Department of "Socio-economic sciences", Turin Polytechnic University in Tashkent, Tashkent, Uzbekistan
email: munira.khodieva@gmail.com

INTRODUCTION

The formation of investment funds in the securities market is due, firstly, to the increase in savings of the population as a result of income growth, and secondly, the need to use these funds for investment purposes. In this process, first of all, it is necessary to have a high level of public confidence in the state, and the state, in turn, should guarantee the investment activity of its citizens. In turn, citizens should be able to use information on the sale of shares and bonds, as well as state-owned assets to increase the activity of the republic in the securities market.

In international practice, sovereign wealth funds have become a driving force for investment and innovation processes with their own funds for the implementation of major infrastructure projects, the rapid development of the economy to build modern high-tech production facilities, the implementation of socio-economic projects in cooperation with foreign investment. As of 2020, more than 90 sovereign wealth funds have been established in more than 60 countries with a total capital of more than \$ 8.1 trillion. If we look at the geography of sovereign wealth funds, 240.24% are in the Middle East, 39.74% in Asia, 13.11% in Europe, 2.8% in the Americas, 2.7% in Africa and 1.4% in other countries. In the countries of the world, sovereign wealth funds are sufficiently developed that they perform the task of transferring the accumulated financial resources to investments, efficient and

efficient distribution without high risk. At the same time, ensuring the effective use of funds remains one of the key issues.

In the context of fierce competition in the world economy, a lot of research is being conducted to ensure the effective use of funds from the recovery and development funds in ensuring financial and economic development. Leading financial institutions, such as the International Monetary Fund, prioritize research aimed at determining the direction of development through forecasting and econometric modeling of economic development indicators and external market conditions related to the activities of recovery and development funds. Research in developed and developing countries, including the National Welfare Fund, focuses on diversifying and increasing the sustainability of the Reconstruction and Development Funds, while identifying areas for targeting and increasing the efficiency of the Fund's spending. This situation requires a systematic study of the effective use of funds from the Fund for Reconstruction and Development.

LITERATURE REVIEW

Many economists have conducted research in the field of improving non-traditional methods of financing investment activities. American economists J.U.Feni, N.Layang, S. Prauz, P.D. Johnson explained venture capital — small business innovation — as equity capital financing.

Dj.Armstrong, an expert in monetary and financial analysis at the Bank of Canada, suggests a definition of syndicated loans: "It is such a lending instrument that allows financial market participants to accurately forecast credit risks" [3].

A. Abramov, a Russian scientist, called for the diversification of the portfolio and the distribution of the net present value owned by investors in proportionate shares [7]. D.Radigin's research looked at investment funds as legal entities or property complexes managed by specialized companies, in which the main emphasis in portfolio formation [8] was on the need to diversify.

RESEARCH METHODOLOGY

In our research method on the economic advantages of investment funds, based on the rules of economic systematization (methodology), it is necessary to study them as participants in three levels of systemic relations at the same time, and as an object of research. procedures can be introduced. Scientific research methods such as system analysis, institutional analysis, functional analysis, comparative analysis, analysis and synthesis were also used in this research process.

ANALYSIS AND RESULTS

One of the important aspects of Uzbekistan's active investment policy is the reduction of the share of centralized capital investments in the sources of investment financing and the improvement of the introduction of market financing mechanisms. In our country, special attention is paid to increasing the efficiency of investment activities of enterprises and their effective operation. However, in the words of the President of the Republic of Uzbekistan Sh. Mirziyoev, “High rates of economic growth and meeting the growing demand for investment resources are incompatible. Attracting foreign investment in the regions of our country remains very unsatisfactory”.*

The way of economic management of investment activities is directly related to the use of financial support, which, in turn, has a direct impact on the interest of investors in the implementation of the investment project. The fact that the organization and financing of investment activities is always associated with investors is aimed at the emergence of projects that realize their financial and economic interests. At the same time, the investment activity created by financing the investment project, like any of its participants, requires, of course, the effectiveness of the state and society.

The total number of investment companies* offered by US financial services companies has increased overall since 2005 (the recent low point) but remains below the recent peak at year-end 2000. During 2020, the overall number of investment companies fell by 3.2 percent (Figure 1), with each type, except exchange-traded funds (ETFs), contributing to the decline. The number of mutual funds decreased from 9,414 at year-end 2019 to 9,027 at year-end 2020; the number of closed-end funds fell to 494 at year-end 2020, the lowest level since the early 2000s; and the number of unit investment trusts (UITs) fell from 4,572 at year-end 2019 to 4,310 at year-end 2020. These declines contrast with the continued growth in the number of ETFs, which increased from 2,176 at year-end 2019 to 2,296 at year-end 2020.

*Mirziyoev Sh.M. Tanqidiy tahlil, qat'iy tartib-intizom va shaxsiy javobgarlik-har bir rahbar faoliyatining kundalik qoidasi bo'lishi kerak. - Toshkent: «O'zbekiston», 2017. 104 b

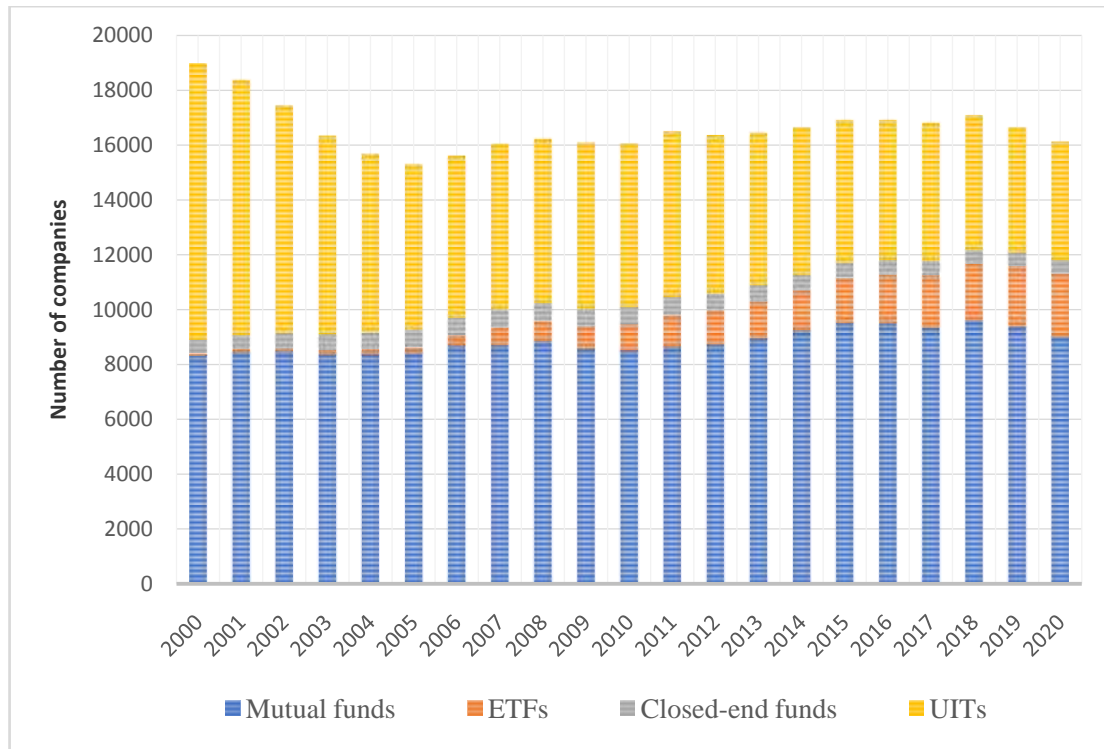


Fig.1. Number of Investment Companies by Type Year-end

Investment Company Assets Total assets in US-registered investment companies rose by \$3.7 trillion in 2020, to a year-end level of \$29.7 trillion (Figure 2). With a combined \$29.3 trillion in assets, mutual funds and ETFs accounted for the vast majority of total industry assets. However, the year-end data do not provide a complete picture of how the market turmoil from the COVID-19 pandemic affected assets of US-registered investment companies. In the first quarter of 2020, assets fell 12 percent to \$22.8 trillion, primarily reflecting a broad-based decline in domestic and international stock markets. Markets steadily recovered for the remainder of the year.

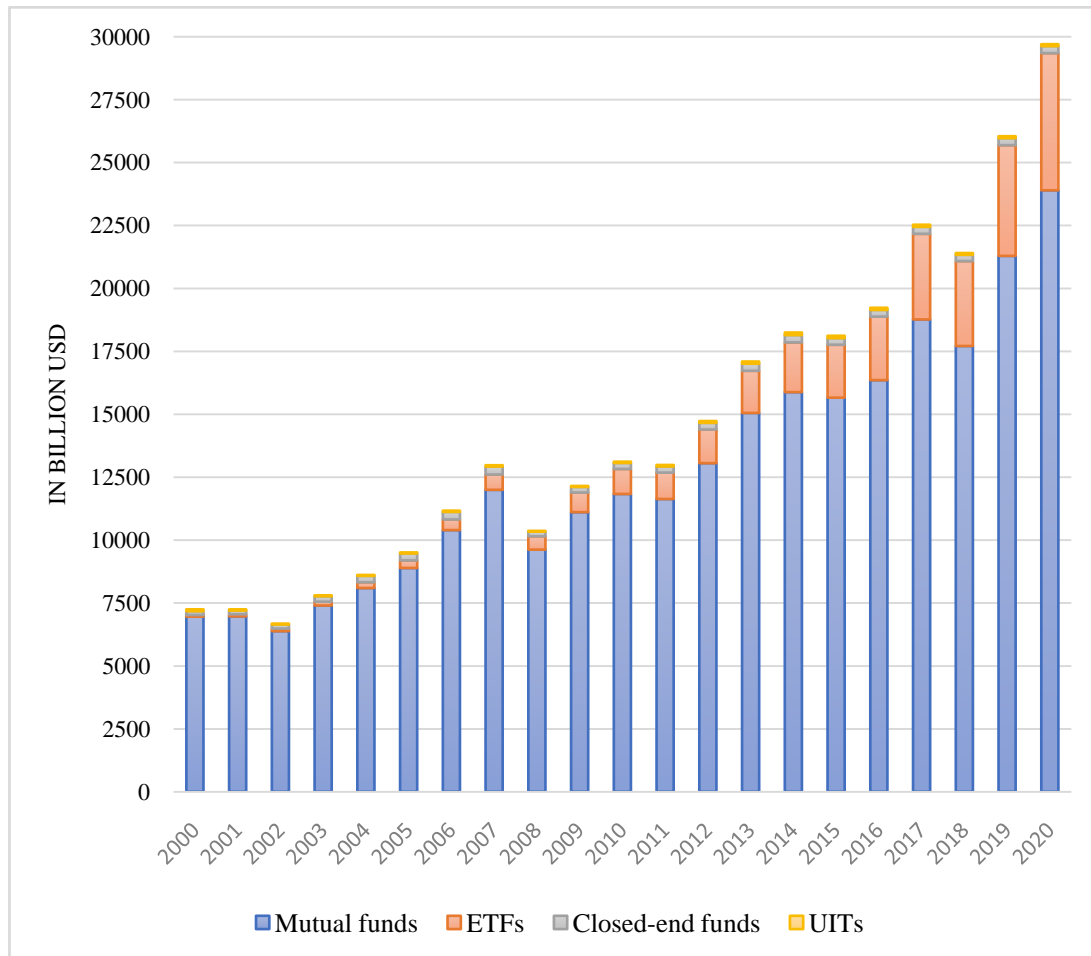


Fig. 2. Investment Company Total Net Assets by Type

At year-end 2020, US-registered mutual fund and ETF total net assets were concentrated in long term funds, with equity funds alone constituting 58 percent (Figure 2.3). Domestic equity funds (those that invest primarily in shares of US corporations) held 43 percent of net assets; world equity funds (those that invest significantly in shares of non-US corporations) accounted for 14 percent. Bond funds held 21 percent of fund net assets. Money market funds, hybrid funds, and other funds— such as those that invest primarily in commodities—held the remaining 21 percent. During 2020, mutual funds in aggregate recorded \$205 billion in net inflows. Money market funds received \$691 billion of net inflows as investors used government money market funds to preserve and build liquidity during the spring of 2020 (see Money Market Funds on page 88). Long-term mutual funds, however, saw net outflows of \$486 billion in 2020. Additionally, mutual fund shareholders reinvested \$268 billion in income dividends and \$354 billion in capital gains distributions that mutual funds paid out during the year. Investors continued to show strong demand for ETFs, with net share issuance (which includes reinvested dividends) totaling \$501 billion in 2020. UITs experienced net new

deposits of \$45 billion, slightly less than in the previous year, and closed-end funds issued a net \$1.5 billion in new shares.

Investment companies have been important investors in domestic financial markets for much of the past 30 years. In recent years, they have held a largely stable share of the securities outstanding across a variety of asset classes, with mutual funds accounting for the majority of the holdings. At year-end 2020, investment companies held 30 percent of US-issued equities outstanding, little changed from the 31 percent at year-end 2017 (Figure 1). Investment companies held 23 percent of bonds issued by US corporations and foreign bonds held by US residents at year-end 2020, compared with 20 percent at year-end 2017. Also, investment companies held 15 percent of the US Treasury and government agency securities outstanding at year-end 2020, a share that has slightly increased over the past few years (Figure 2.7). Investment companies have been one of the largest groups of investors in the US municipal securities market, holding 29 percent of the securities outstanding at year-end 2020. Finally, mutual funds are important investors in the US commercial paper market, which is a critical source of short term funding for many major corporations around the world. At year-end 2020, the share of the commercial paper market held by mutual funds (primarily prime money market funds) was 22 percent, down from 26 percent at year-end 2019.

CONCLUSIONS

In the concept of Capital Market Development Strategy envisages increasing the capitalization of the stock market to 10% of GDP in 2020-2025. Therefore, in order to increase the economic benefits of investment funds in the attention of investors: The bonus received by the trust manager for the management of the investment fund's assets is determined in a stratified manner, taking into account changes in the value of net assets relative to the base year; Establishment of mutual investment funds in the structure of commercial banks with modern infrastructure, capable of ensuring sustainable economic growth and solving social problems in the Republic of Uzbekistan.

The transformation of the production of financial assets into material assets in the capital market, in turn, leads to the development of trade and industry, thereby stimulating economic growth. After all, in a country where the capital market is underdeveloped, the population spends savings on relatively unsuitable and inefficient channels, only on visible consumer goods, etc., or does not spend them at all, which becomes a major obstacle to economic growth.

LIST OF REFERENCES

1. Экономика инвестиционных фондов: монография А.Е. Абрамов, К.С. Акшенцева, М.И. Чернова, Д.А. Логинова, Д.В. Новиков, А.Д. Радыгин, Ю.В. Сивай; под общ. ред. А.Д. Радыгина. — М. : Издательский дом «Дело» РАНХиГС, 2015. 8. Под ред.
2. А.Д. Радыгина. Институциональные инвесторы в мире. Особенности деятельности и политика развития. В 2 кн. Кн/1.. М.: Издательский дом «Дело» РАНХиГС, 2014.
3. Стратегическое развитие малаго бизнеса и формы поддержки индивидуального предпринимательства [Электронный ресурс]: монография. Нижний Новгород: НОО «Профессиональная наука», 2018.-Режим доступа: <http://scipro.Ru/Conf/monographbusiness>.
4. Armstrong J. The syndicated Loan Market: Dewelopments is in the North American Context. // Bank of Kanada Working Paper 2003-15, June 2003.
5. Publication of the 2021 Investment Company Fact Book was directed by James Duvall, economist, and Judy Steenstra, senior director of statistical research, working with Candice Gullett, editor, Miriam Bridges, editorial director, and Janet Zavistovich, senior director of design. Contributors from ICI's research team who developed and edited analysis, text, and data are Irina Atamanchuk, Steven Bass, Mike Bogdan, Alex Johnson, Sheila McDonald, Hammad Qureshi, Doug Richardson, Casey Rybak, Dan Schrass, and Christof Stahel. www.ici.org/research/stats
6. Baranova Y. et al. Simulating stress across the financial system: the resilience of corporate bond markets and the role of investment funds //Bank of England Financial Stability Paper. – 2017. – №. 42.
7. Rathnamani V. Investor's preferences towards mutual fund industry in Trichy //IOSR Journal of Business and Management. – 2013. – Т. 6. – №. 6. – С. 48-55.
8. Burkhanov A. Econometric Analysis of World Investment Funds Net Assets //Архив научных исследований. – 2020. – №. 22.
9. Sushko V., Turner G. The implications of passive investing for securities markets //BIS Quarterly Review, March. – 2018.