

PECULIARITIES OF THE MARKET OF SECURITIES IN THE CONTEMPORARY ECONOMIC SYSTEM

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Abstract

The role and importance of the market of securities have recently been increasing in the global economy. Its fields of activities are being considerably expanded. The market of securities undergoes an internalization process as a result of which those of certain countries become flexible institutions of international financial flows.

The tendencies of globalization of the financial system require the implementation of certain reforms in its state regulation which will ensure the stability of the financial system, reduce the risks of the sector and establish long-term relations of development between the financial and real sectors of the economy.

Key words: financial market, market of securities, security, loan capital market, stock exchange (market).

Introduction

It is impossible to imagine a market economy without the presence of the financial market. The financial market provides an effective redistribution of temporarily free financial resources in different branches of the economy. The securities are the main tools for financial redistribution that create a direct contact between the investor and the economic entities that are in need of free financial resources.

The financial market is subdivided into markets of a loan capital and securities. The main part of the financial market is the market of securities which plays an important role in providing flexible mechanisms for the distribution of capital in the economy. The distribution of financial resources in such a way was developed greatly in the half of the 20th century, when there was a transition from the priority of bank capital to the share capital market in a developed market economy.

Active processes of issuance and distribution of securities are recently noticed both in the Republic of Armenia and in Artsakh.

The stock of security deals was 1,656,599 AMD in 2020 which was reduced by 23% compared with the same period in 2019. The security transactions were mainly signed by 38 issuing companies the amount of which was reduced by 42% compared to the same in 2019. The capitalization of the market comprised 134,948,871,394 AMD which reduced the same rate in 2019 by 9% and the amount of transactions with corporate bonds comprised 32,140,833,188 AMD in market which exceeded the same rate in 2019 by 9%. About 2432 transactions were signed costing 446,285,013,760 AMD in market which exceeded the same

rate in 2019 by 106%. The turnover of trade in state bond market comprised 77,323,308,992 AMD which exceeded the rate of 2019 by 31% and the transactions in state bond market comprised 993 which exceeded the same rate in 2019 by 10%. The current size of state bond circulation in the market comprised 953,866,374,000 AMD in 2020 which exceeded the same rate in 2019 by 41%.

Table 1**Armenian market of securities in 2020**

	Billion AMD
Corporate bonds market	446.3
Securities market	134.9
State bond market	953.9
The total market volume	1,535.1

The stock exchange of Armenia comprised of 115 securities of 28 issuers, 10 stocks of 10 issuer and 105 bonds of 21 issuers in April 2021. 62 transactions were of 53,395,800 AMD during April 2021 in the stock exchange of Armenia. The subject of transactions become 17,797 stocks. There were 204 transactions with total amount of 3,685,945,693 AMD and 68 transactions with 5,015,345,098 AMD during April 2021 in the stock exchange of Armenia.

Conflict setting

It is necessary to deeply study different kinds of securities, the peculiarities and investment possibilities for their further development.

The distribution of financial resources by financial system from sellers to buyers is carried out by direct or indirect ways in any country. In comparison with the other methods of distributing financial resources (bank investments, insurance foundations, etc.) the securities give the process of investment a massive nature by the means of creating direct contact between the investors and the capital market.

There is no unified and formed thinking about the definition of securities in economic literature which are the main tools of stock market. Some western authors, especially the followers of Anglo-American school, think that securities may include any document that confirms certain property and non-property rights and which could also be sold.

For example, U. Sharp, G. Alexander and G. Bailey state that security is a document that certifies the right for property. It can be passed on to another person who receives all rights and obligations that comes from it [1].

Securities market is closely related to both credit and ownership relationships that are carried out by issuing of special documents (the securities). The latter have their value. They can be sold, bought and repaid.

Consequently, any document including collateral receipts and stocks are considered securities. It refers also to any certificate recognized by law and proves the right for further income. A similar tendency about securities and securities market is recorded in International Organization of Commissions of Securities in the document dedicated to the general principles of regulation of the market of securities. This approach is partly due to the peculiarities of the financial markets of the countries with Anglo-American economies.

According to RA Civil Code, security is a document certifying property rights with the preservation of the established form and mandatory details. Its implementation or transference

is only possible when it is presented. The definition given in the Civil Code concerns only to the paper form of the security. Securities include those ones established by the Civil Code of the RA and by the number of laws regardless of their form (paper or non paper variant) as well as stocks and other securities that give rights equivalent to the rights secured by stocks; bonds and other debt securities except money market tools and depositary receipts, documents which confirm the right to subscribe or purchase securities, shares of investment funds or other similar documents that certify participation in them, the agreement of profit sharing; a document certifying participation in such an agreement; tools of money market; derivative tools; any other investment agreement used to raise capital (means) which includes the properties of the aforementioned securities totally or partially [2]. Summarizing above mentioned the following descriptions can be given about the security:

- security is a special product that is considered both as a title deed, a debt obligation, the right to get an income and the obligation to pay it,
- it is a right and an obligation to pay,
- security is a document with defined form and mandatory requirement; it testifies about the property and non property rights of the owner in relation to the issuer,
- it has certain value in AD,
- the owner of the security can transfer the rights (secured by the security) to a third person by any alienation deal [3].

According to their economic significance, the securities are generalized and perform the following functions:

- Redistributive function: they carry out redistribution of financial resources through securities between the spheres and branches of economy, the population and the economy.
- The function of possessing and managing the capital. Securities give their owners additional rights along with the right of capital e.g. the right to participate in management (e.g. right of taking part in management).
- Getting income. Securities provide getting income from the capital and refunding of capital [4].

Various types of securities are known in practice. Their list is getting expanded. New kinds of securities are created that are aimed to meet the needs of the participants of financial market. According to the RA Law on Market Regulation of the Securities adopted in 2000-2007, any investment, payment or title security defined by the RA Civil Code and by other laws on securities including the agreement of profit distribution, participation in such an agreement, a document, contract or other derivative security (regardless how they were acquired) as well as any investment agreement which has the properties of the aforementioned securities totally or partially and any other document used to raise capital regardless of its form as well as the right to a security or its certificate, receipt or other similar document regardless of its form (according to customs of business turnover) was considered to be a security. The Law of the Republic of Armenia on the securities market was adopted in 2007. According to it the securities are considered those which are established by the Civil Code of the Republic of Armenia and by other laws.

They are:

- a) stocks; other securities that have equal rights to those of stock's,
- b) bonds and other debt securities except for the monetary market tools,

- c) deposit receipts; documents confirming the right to subscribe or purchase securities specified in a) and b) subparagraphs,
- d) investment fund units or other similar documents that confirm participation in them,
- e) profit sharing agreement; a document certifying participation in the agreement,
- f) monetary market tools,
- g) derivative tools,
- h) any other investment agreement that is used to raise capital which includes the properties of the aforementioned securities totally or partially [5].

As we see, payment instruments are not considered as securities by this law. From the formulation we can come to the conclusion that this position is applied within the framework of this law. That's why the concept of "security" is used in the RA legislation in its broadest sense. Nevertheless, there is no definite approach to the definition of this concept in the Armenian economic literature.

Some economists mention that a security is an arbitrary document that gives certain rights and can be sold and bought at a corresponding price. In this approach the turnover of securities is emphasized. Many economists prefer the aforementioned legal definition of securities.

Taking into consideration the multiple operating tools in securities market as the most common recruiting tools of investment funds we can single out stocks and bonds. For this reason we have chosen two classes of securities as the main object of the research [6].

Securities as tools for engaging investments have a number of advantages both for issuers and for those who make investments. From the issuer's point of view, the main advantage of stocks is that the company's obligations do not change. They can recruit a great amount of facilities from relatively small investors. Moreover, the recruiting facilities are free of charge because the issuing company does not assume obligations to pay dividends and the public issue of securities increases the rating of companies. From the point of view of investors the acquisition of stocks has a number of advantages: the right to participate in the management of the company, the opportunity to get a high income (in the form of dividends and according to the growth in the value of shares), pre-emptive right to purchase shares in case of additional issue as well as the right to receive a share in the company's property during and after the dissolving of the company as well as the rights mentioned in the regulation. However, in addition to the positive aspects, the stocks also have a number of disadvantages: the danger to redistribute property in the company's capital, significant costs associated with the issuance and the distribution, strict requirements established by the state law and legislative regulations relating to the disclosure and organization of the release of information and so on [7]. For investors there is a high investment risk and uncertainty about the level of received income. Bonds, unlike stocks can be borrowed, they have a repayment period and a certain profitability. Bonds are issued by the state (state bonds) and by legal persons (corporate bonds).

According to the RA law on joint-stock companies, the companies can issue both bonds secured by a pledge of the company's property and those secured by a guarantee provided by a third person and also unsecured bonds. Bonds also have a number of advantages over other investment tools. According to issuer bonds have the following advantages:

- the relationship between the borrower and the lender is stated without a negotiator differing from bank loan,
- bonds securitize loans which makes the company more accessible to involve loans,

- the Company attracts a large amount of money through the issue of bonds without risking the redistribution of companies' stocks,
- the possibility to make long-term investments in comparison with bank loans that are limited by time.

In addition to the positive aspects, bonds have a number of disadvantages. The issue of bonds is associated with high costs and a lot of preparatory intensive work with term and capacity limitations. Thus, securities are unique financial instruments through which they carry out:

- investment, payment, reckoning, arrangement and other issues enable participants of financial market to give maximum flexibility to the turnover of funds through purchase and sale,
- to establish a direct contact between investors and those who are in need of free cash.

As financial tools securities are used for involving investments, they are also used for investing financial resources, for credit and its insurance and also for transformation.

Summing up the above mentioned, we can present the following functions inherent in securities:

- collection of temporary free financial fund of organizations and population,
- redistribution of financial resources between branches of the economy and those who are in need,
- regulation of money turnover,
- investment source for newly formed organizations and expanding of already acting business entities,
- credit reckoning tools,
- documents proving the investment of funds,
- right for the capital,
- ensuring the receipt of income from capital [8].

Thus, the securities market is the most important component both for the money markets and for capital markets. The securities market plays the role of a regulator of investment flows, which provides an optimal structure for the use of resources for society.

There is not any definite approach to the characteristics of the securities market either in foreign or native literature. There are many views about the securities market in the economic literature and in legislation. According to the Russian economist Torkanovskiy, the securities market is a real existing capital market. It can be represented both by economic category and by its delivery. As an economic category, the securities market is a set of relations related to the issue and turnover of securities and as a specific form of delivery of the market of securities, it is a set of mechanisms which helps the relations that arose during the issue of securities to be carried out. It is a specific form of delivery of the securities market, which can act in the form of exchanges, an exchange market, an organized and unorganized market [9]. According to A.B. Salazaryan, as a sector of financial market, stock market includes the direct relations of transferring money from sellers to customers without financial mediators (financial institutes) [10].

The mission of the securities market is that business entities, issuing securities, especially stocks and bonds form their own and borrowed capital (for this reason securities market is also called fund market).

In the foreign and Armenian economic literature, we can also meet different definitions of the securities market. According to some Russian economists, securities market is limited with stock market.

According to Kolesnikov and Torkanovskiy financial market consists of 3 interrelated and complementary markets: cash and short-term funds market, debt capital market and securities market. According to Russian economist Mirkin the securities market is, on one hand, a system of economic relations for exchange and its center is the economy product and on the other hand it is a set of institutions (issuers, investors, financial mediators, stock and out of stock exchange systems, depositories, accountancy and clearing companies etc.).

Mark MacKracken offers a very simple and at the same time a comprehensive definition. The “place or places” where the purchase and sale of securities takes place, the infrastructure and people are involved in this process and the availability of securities and the corresponding demand for them as well as the willingness of buyers and sellers to come to a price agreement.

Research results

We can give the following definition of the securities market based on these various comments: the securities market makes petitions for credit and securities-owning relationships. The securities market mediates the process of movement of the capital. The “dispersed” financial resources that are available in the economy are being collected through securities and distributed into those sectors which need them. The securities market is one of the important factors of economical growth. The influence of the securities market is expressed both directly and indirectly. The direct impact is due to the positive impact of the securities market on the rapid and targeted turnover of investment resources in the economy. The indirect influence are the factors of corporate governance formed by individual issuers that increase the transparency of activities, financial efficiency and reliability. The importance of the securities market on economic growth can be assessed with the participation of the securities market in the redistribution of financial resources in the economy. Economic growth in NKR amounted to 10,4% in 2019, although the securities market did not have a significant impact on the economic growth.

The creation of a developed securities market is a prerequisite for the activity of any market economy. Generally the elements that make up the financial market are considered to be:

- market entities,
- stock and non stock markets,
- state regulatory bodies,
- self-regulating organizations,
- market infrastructure.

One of the most important features of the securities market is its consumption. The established securities market allows issuers to receive financial resources for making investments. Investors can also make shorter-term investments, as they have the opportunity to sell securities during the entire term. Organizations as borrowers can manage these funds during all period of time. Consumption in the market also determines the structure of investments.

Conclusion

At the beginning of the XXI century, the boundaries of the securities market expand as a result of which investors from other countries have the opportunity to invest their free funds in securities circulating in foreign countries.

Currently there are many factors in developing securities market of Artsakh Republic which become important from the point of view of its further development. Nowadays we can distinguish one of more urgent issues in AR financial sphere as improving the investory environment.

The tasks set and methods of their solutions can be presented by the following legal ways:

1. improving the investory environment in the country
2. clarifying and perfection of control and regulatory system of securiries market
3. developing and implementing the activities towards the perfection of market infrastructure system
4. complementing the market toolbar
5. investing corporative management and applying methods providing its efficiency

The solution of the above mentioned problems will, certainly, support the provision of strategy of developing security market in Artsakh Republic.

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ԱՐԺԵԹՂԹԵՐԻ ՇՈՒԿԱՅԻ ԴՐՄԵՎՈՐՄԱՆ ԱՌԱՆՁՆԱՀԱՏԿՈՒԹՅՈՒՆՆԵՐԸ ՃԱՄԱՆԱԿԱԿԻՑ ՏՆՏԵՍԱԿԱՆ ՀԱՄԱԿԱՐԳՈՒՄ

Ավետիսյան Ս.Ա.

Շուշիի տեխնոլոգիական համալսարան

Համաշխարհային տնտեսությունում վերջին տարիներին ուժեղանում է արժեթղթերի շուկայի դերը և նշանակությունը, զգալի ընդլայնվում է դրա գործունեության ոլորտները, տեղի է ունենում արժեթղթերի շուկայի միջազգայնացման գործընթաց, որի հետևանքով մի շարք պետությունների արժեթղթերի շուկաները վերածվում են միջազգային ֆինանսական հոսքերի վերաբաշխման ճկուն ինստիտուտի: Ֆինանսական համակարգի գլոբալացման միտումները պահանջում են դրա պետական կարգավորման գործում որոշակի բարեփոխումների իրականացում, որն էլ կապահովի ֆինանսական համակարգի կայունություն, կնվազեցնի ոլորտի ռիսկերը և տնտեսության ֆինանսական ու իրական հատվածների միջև կհաստատի երկարաժամկետ զարգացման հարաբերություններ:

Բանալի բաներ. ֆինանսական շուկա, արժեթղթերի շուկա, արժեթուղթ, փոխատվական կապիտալի շուկայի, ֆոնդային բորսա:

ОСОБЕННОСТИ ПРОЯВЛЕНИЯ РЫНКА ЦЕННЫХ БУМАГ В СОВРЕМЕННОЙ ЭКОНОМИЧЕСКОЙ СИСТЕМЕ

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В последние годы усиливается роль и значение рынка ценных бумаг в мировой экономике, значительно расширяются сферы его деятельности, происходит процесс интернационализации рынка ценных бумаг, вследствие чего рынки ценных бумаг ряда государств превращаются в гибкие институты перераспределения международных финансовых потоков. Тенденции глобализации финансовой системы требуют проведения определенных реформ в деле ее государственного регулирования, что обеспечит стабильность финансовой системы, снизит риски сферы и установит долгосрочные отношения развития между финансовым и реальным секторами экономики.

Ключевые слова: финансовый рынок, рынок ценных бумаг, ценная бумага, рынок ссудного капитала, фондовая биржа.

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