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Stock market of Ukraine: Current situation and perspectives of development

Olena Dovhal

University of International Business and Law, Management Department, Kherson, Ukraine
Ph.D., Assoc. Prof.



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Abstract: The stock market is a redistribution mechanism of investment resources and determination of the success level of the country in global capital markets. Therefore it is extremely important to suggest the specific strategic and tactical measures for further development of Ukrainian stock market in the current crisis situation. In the article the current situation and development perspectives of the domestic stock market and its role in the national economy are investigated. The relationship between financial markets and investment process is estimated. The dynamics and structure of the main financial instruments of Ukrainian stock market are analyzed; the impact of trading volumes on indicators of economic development on the country is evaluated. The problems that accompany the process of the stock market functioning are revealed, the directions of its development in order to increase the financial capacity and well-being of the country are outlined.

Keywords: investment mobilization, trading volume, securities, shares, bonds

1. Introduction. Statement of the problem

Creating, functioning and stable development of the stock market in Ukraine is a distribution alternative of scarce financial resources. Developed domestic financial market will greatly facilitate the task of integration into global financial markets and will create a channel for foreign capital investment in the national economy through the distribution of securities. The stock market has become an integral part of the national economy of Ukraine and the economies of the developed countries. Therefore, the establishment of effective and efficient stock market is an important step in the development of the national economy. In Ukraine, the stock market is underdeveloped and turnover of securities is becoming one of the main areas of the financial sector, without that sphere it is impossible the normal functioning of the complex mechanisms of the market economy.



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2. Analysis of recent research and publications

The problems of the stock market functioning and development, especially the formation of its infrastructure are considered by the following scientists: Baula O.V. [1], Bezvuh S.V. [2], Dobrynina L.V. [3], Neskorozyeva I.I. [6], Poliakova S.E. [8], Prokhorova Yu.S. [9] and many others.

3. Unsolved aspects of the problem

The establishment and development of the Ukrainian state are occurred in a deep economic crisis conditions. The development of a market economy constantly requires mobilization, allocation and reallocation of resources. The establishment of efficient securities market in Ukraine should be considered in the context of general processes of socio-economic and political reforms which are now being implemented.

4. Task formulation

The aim of article is an analysis of the current situation of the stock market of Ukraine, the key problems of its functioning and development perspectives are identified.

5. Main material exposition

During the years of the stock market functioning Ukraine managed to achieve some positive results. In recent years, the domestic stock market was characterized by a growing dynamics. This indicates that domestic enterprises are interested in the investment mobilization through the securities. In 2012 the Ukrainian stock market showed the contradictory dynamics of its development. On the one hand, there was the total volume increase of securities trading and the increase of the types of financial instruments which are used in the stock market. On the other hand, the emission activity is curtailed. Today the stock market of Ukraine is characterized by low capitalization and liquidity, an insufficient protection of investors' rights, the lack of transparency.

Dynamics of Ukraine's economic development in recent years, including the stock market, shows the fixing of the positive trends. The stock market have been characterized by the main positive changes during this period that formed a safe basis for further strengthening of the stock market and helped to restore its investment function. Such positive changes are an increase of trading volume and the investment mobilization.

In recent years, a trend of the trading volume increase on the stock market is continued. Thus, the rate in 2014 was 629.43 billion UAH. That is more than the volume of executed contracts in 2013 by 154.8 billion UAH. At the same time, the growth rate of the stock market was faster compared to the GDP: volume of the securities market trading almost double exceeded GDP. It shows the development of the state economy in general and the development of the stock market in particular; the rapid pace of this development (Figure 1.). In connection with the above the securities potential as liquid deposit instrument is not sufficiently used. This causes the low sensitivity of the money supply and the real economy to the interest rates changes.

Score volume of investments in Ukraine's economy through stock market instruments, including through the shares during 2014 was 145.21 billion UAH. Compared to the same period of 2013 the volume of investments into the economy of Ukraine through the instruments of the stock market - shares is increased by 80.67 billion UAH.

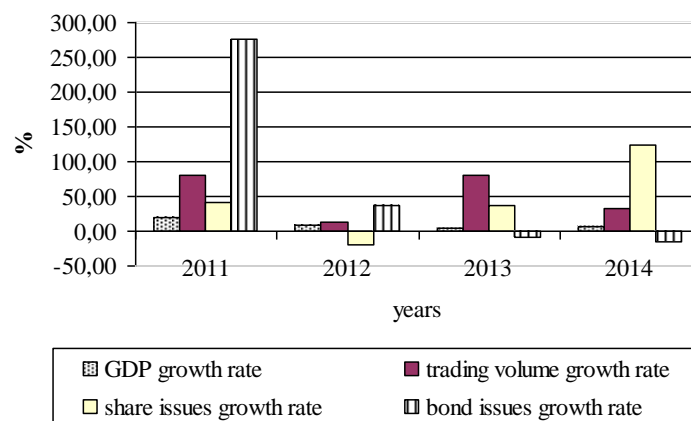


Figure 1. Dynamics of GDP growth rate compared with the stock market rates, %

Source: calculated by the author according to the data [4, 5]

263 issues of corporate bonds worth 38,30 bln. UAH was registered by National Commission on Securities and Stock Market during 2014. Compared to the same period of 2013 the volume of registered issues of corporate bonds is fallen to 4.11 billion UAH (Table 1).

Table 1. Dynamics of the main indicators of Ukrainian stock market, bln. UAH

Years	GDP	Trading volume	Shares issue volume	Bond issue volume
2010	1079,3	131,29	40,59	9,49
2011	1300	235,84	57,79	35,7
2012	1404,7	264,26	46,88	48,73
2013	1465,2	474,63	64,54	44,76
2014	1566,7	629,43	145,21	38,3

Source: calculated by the author according to the data [4, 5]

The volume of the exchange contracts with securities during 2014 on the trade organizers in the secondary market made up 96.71% of the total exchange contracts during the given period. The operations with government bonds of Ukraine are dominated in the structure of trade organizations operations; during 2014 their share was almost 75% of the total turnover of securities in the exchange segment of the stock market. There is the tendency to increase of the share of these operations in 2014, which could be due to the global financial crisis and the intensification of government bonds issue of Ukraine.

Despite some progress in the development of the stock market of Ukraine there are still a number of unresolved problems in the sphere of issue, distribution and servicing of securities. These problems are the imperfect and unstable legislation, the low technological level of functioning market infrastructure, the lack of reliable financial instruments, and the lack of the stock market transparency. The domestic stock market today is not yet able to effectively raise funds of domestic investors.

Table 2. The volume of exchange contracts by the types of securities during 2012-2014, bln. UAH

Types of securities	Years			Change, %
	2012	2013	2014	
Total	264,26	474,63	629,43	238,19
Shares	23,44	45,32	26,6	113,48
Government bonds	179,13	351,33	553,29	308,88
Bonds	26,36	49,41	33,8	128,22
Municipal bonds	6,39	0,9	0,58	9,08
Securities of joint investment institutions	3,99	6,26	4,25	106,52
Derivatives	24,95	21,4	9,61	38,52

Source: calculated by the author according to the data [4, 5]

Overall in 2012-2014 fiscal years, the stock market tends to increase. Thus, the total exchange contracts volume was 629.43 billion UAH in 2014, which is 2.5 times more than in 2012. The structure of trades in 2014 the shares market accounted for 4.43% of total turnover at the trade organizers, 5.37% for corporate bonds and 87.90% for government bonds (Figure 2).

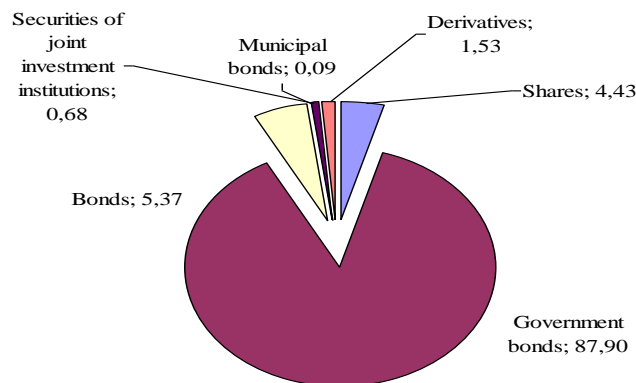


Figure 2. Structure of exchange contracts with financial instruments at the trade organizers (broken down by type of financial instrument) during 2014, %

Source: calculated by the author according to the data [5]

The analysis of the status and dynamics of the stock market indicates that the stock market in Ukraine at the present stage of development have not been able to withstand all internal and external negative influences. The urgent problems that exist in the stock market of Ukraine hinder its further development.

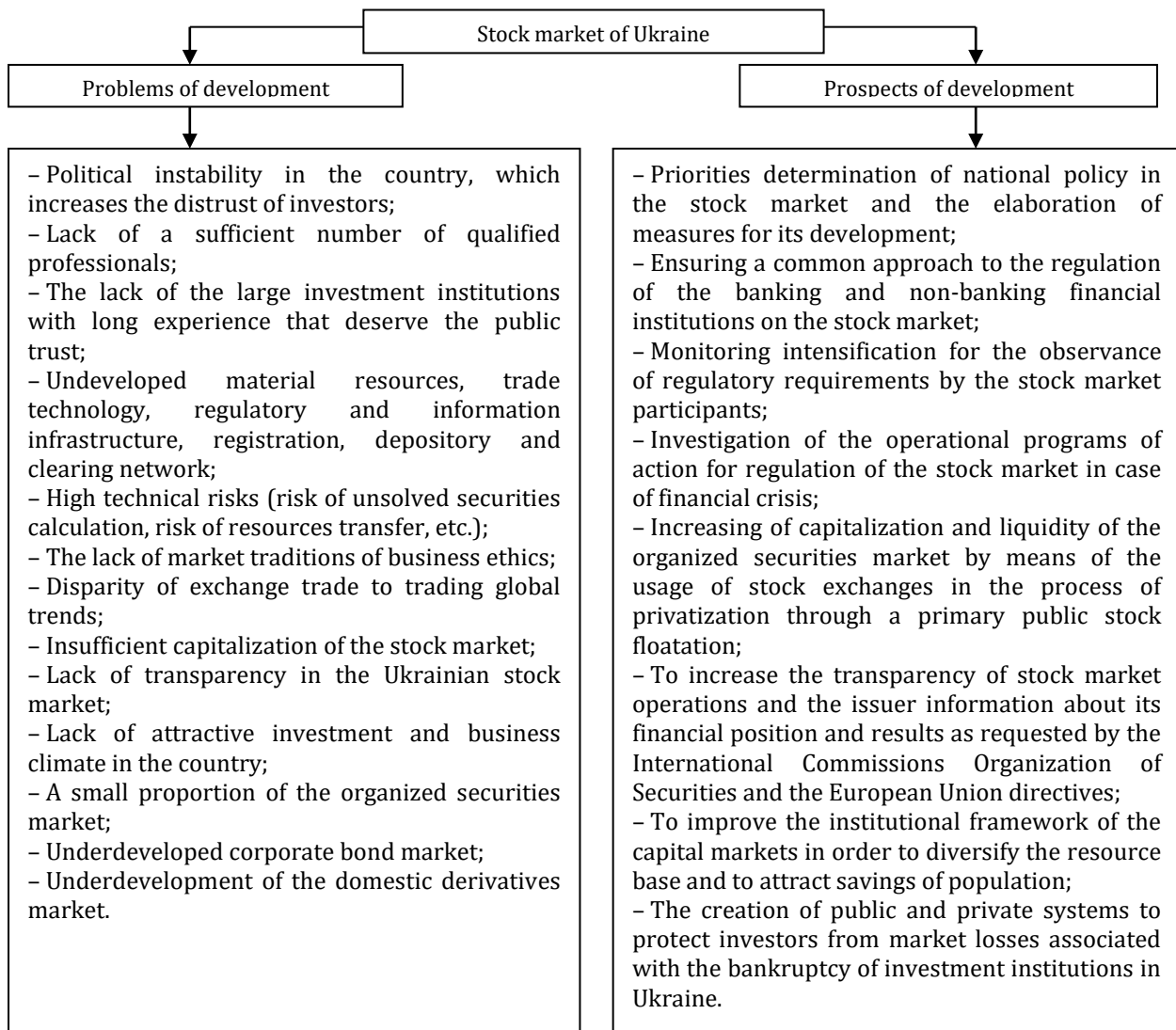


Figure 3. Problems and prospects of Ukrainian stock market

Source: adapted by the author according to [1, 2, 3, 9, 10]

The stock market should become a powerful mechanism for mobilization, distribution and redistribution of financial resources, it should promote the accumulation of investments into productive and social areas.

Further its effective development requires first of all the improvement of competitiveness by the infrastructure developing of the stock market, the activity universalization of financial institutions, transforming them into stable, competitive and investable institutions that provide a wide range of financial services. The strategy of state regulation of the stock market in Ukraine is aimed at creating a favorable investment environment and the investors' activation.

Tactical government policy on the stock market provides the protection mechanisms of the market participants' interests. There are investors, issuers, financial intermediaries. It is necessary to streamline the issuance and circulation of state and corporate securities. The orderly and competitive securities market can be a catalyst to stabilize the financial situation in the state.

Thus, there are a number of problems in the present development of the stock market. They cannot be regulated by the market mechanism and requiring activation of the state regulation (Fig. 3)

It is necessary to create a set of measures that will be used to overcome the existing problems of the domestic stock market development and to ensure its effective functioning.

The main trends on the international stock markets, which will determine the further development of Ukrainian stock market, you can identify the following: the globalization of world capital market, the creating of the global trading, clearing and calculating systems for the maintenance of international capital markets and capital markets technologization through the increased usage of advanced information and financial

technologies; universalization of the financial institutions that are able to provide a full range of financial services, including services in the securities markets.

Liquid, secure and transparent stock market has to ensure the realization of national interests of Ukraine, to strengthen the economic sovereignty through the promotion of investment in the real economy; to create the conditions for the improving of the Ukrainian stock market competitiveness with further its civilized integration into the international capital markets.

6. Conclusions and recommendations for further researches

Based on the above it can be concluded that the strategy of further development of Ukrainian stock market must be seriously adjusted towards to the organic linkage of the economic growth and reproduction goals with the considered stock exchange development. The securities of all issuers (state, corporations) must ensure the inflow of funds into the indispensable points of increase in particular into the business sector.

Author details (in Ukrainian)

Олена Довгаль

к.е.н., в.о. доцента кафедри менеджменту,

ПВНЗ "Міжнародний університет бізнесу і права", м. Херсон

Фондовий ринок України: сучасний стан та перспективи розвитку

Анотація. Фондовий ринок є одним із механізмів перерозподілу інвестиційних ресурсів та визначення рівня успішності країни на світових ринках капіталу. Тому надзвичайно важливо у нинішніх кризових умовах запропонувати конкретні стратегічні та тактичні заходи щодо подальшого розвитку українського фондового ринку. У статті досліджено сучасний стан та перспективи розвитку вітчизняного фондового ринку, його роль у національній економіці. Визначено взаємозв'язок між фінансовим ринком та інвестиційним процесом. Проаналізовано динаміку та структуру основних фінансових інструментів фондового ринку України, проведено оцінку впливу обсягів торгів на показники економічного розвитку країни. Виявлено проблеми, які супроводжують процес функціонування фондового ринку, окреслено напрями його розвитку з метою підвищення фінансового потенціалу та добробуту країни.

Ключові слова: залучення інвестицій, обсяг торгів, цінні папери, акції, облігації.

Author details (in Russian)

Елена Довгаль

к.э.н., и.о. доцента кафедры менеджмента,

ЧВУЗ "Международный университет бизнеса и права",

м. Херсон

Фондовый рынок Украины: современное состояние и перспективы развития

Аннотация. Фондовый рынок является одним из механизмов перераспределения инвестиционных ресурсов и определение уровня успешности страны на мировых рынках капитала. Поэтому чрезвычайно важно в нынешних кризисных условиях предложить конкретные стратегические и тактические меры по дальнейшему развитию украинского фондового рынка. В статье исследовано современное состояние и перспективы развития отечественного фондового рынка, его роль в национальной экономике. Определена взаимосвязь между финансовым рынком и инвестиционным процессом. Проанализирована динамика и структура основных финансовых инструментов фондового рынка Украины, проведена оценка влияния объемов торгов на показатели экономического развития страны. Выявлены проблемы, которые сопровождают процесс функционирования фондового рынка, определены направления его развития с целью повышения финансового потенциала и благосостояния страны.

Ключевые слова: привлечение инвестиций, объем торгов, ценные бумаги, акции, облигации.

Appendix. Supplementary material

Supplementary data associated with this article can be found, in the online version, at <http://sepd.tntu.edu.ua/images/stories/pdf/2015/15doapod.pdf>

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