



*Financial market and financial engineering*  
**Lecture 3 Main characteristics and determinants of the  
development of the national financial market**

**Purpose: to identify the main determinants of the development of the global and national financial markets.**

**Lecture questions**

- 1 Assess the impact of the cyclical nature of the economy on its development. Macroeconomic factors in the development of the financial market
- 2 **Projection** of the development of the Kazakhstani financial market.
- 3 Indicators of the sustainability of the financial market development.



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- The financial market must be studied through the interaction of its segments. For the segmented structure of the world financial market, the securities market plays a system-forming role. For the Kazakhstani financial market, this assessment is possible only in the long term. But already at the present time this role is demonstrated in the fact that:
- - the circulation of the main instruments of resource-forming segments is associated with the efficiency of circulation of stock instruments. Thus, investment resources (insurance and pension markets) are allocated mainly in securities. This leads to a close relationship between the profitability and liquidity of securities and insurance and pension instruments. This reveals the essence of the interaction of these segments of the financial market, their high mutual dependence and influence on each other;



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- the interaction of the deposit market and the securities market of Kazakhstan is direct and immediate, as is the connection between the deposit and credit markets.
- in the deposit-credit relationship: the first segment forms resources for the second.
- In relation to the deposit-stock market, another connection can be traced. In part, the resources of the deposit market can act as sources of resources for investing in the securities market.
- the impact of the stock market on the deposit market has its own specifics. It has been established that this influence is demonstrated if the stock market is developed. the influence of the stock market on the deposit market has its own specifics. It has been established that this influence is manifested if the stock market is developed. Then an active stock market determines the quality and value of deposit instruments. The low activity of the stock market does not allow this segment to change the influence of other factors on the deposit market.
- In addition, it was established that the level of development of the deposit market does not in any way affect the development of the securities market. In our opinion, this is due to the fact that the circulation of deposit instruments depends mainly on individual investors, while the circulation of stock instruments is determined by the activities of both institutional and individual investors;



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- the dependence of the credit market and the securities market is especially pronounced in developed financial markets. For Kazakhstan, this connection is also close. It should be noted that the mutual influence of these markets is twofold.
- the dependence of the credit market and the securities market is especially was clearly reflected in developed financial markets. For Kazakhstan, this connection is also dense. It should be noted that the mutual influence of these markets is twofold.
- On the other hand, the duality of the stock market itself allows us to consider their interaction through the relationship between the resource-forming stock market and the resource-placing credit market. In this case, if the credit market is developing actively, then as a result, the stock market will develop more slowly, and vice versa.
- This means that strategies for the development of the financial market in Kazakhstan should take this dependence into account. That is, the levers of regulation of the credit market can be used to stimulate the development of the stock market;



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The impact of financial and industry structure of the economy to the stock market.

- The development of the world financial market have been influenced by the development of the sectoral structure of the world economy
- State intervention in the development of the financial market determines its current state



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The financial depth of the economy determines the nature of the impact of this fundamental factor on the financial market.

Quantitative analysis confirms the conclusion that the higher the saturation of the economy with monetary resources (the higher the level of monetization), the more voluminous, massive and liquid financial markets become.

The higher the saturation of the economy with securities, the larger are financial institutions and market infrastructure.



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Owners are often not interested in increasing the market value of the enterprise, in receiving income through dividends and based on the growth of stock quotes.

On the contrary, they tend to minimize profits or even demonstrate losses to the enterprise. For example, they artificially reduce financial flows (through prices, through the separation of settlements, etc.). All these measures are aimed at lowering taxes, increasing personal income or other business objectives.

This is how a non-transparent business is formed, which consists of disparate companies. This business has several accounting systems, within which enterprises have a minimum value and cannot enter the stock market.





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**Conclusions**

- The Kazakhstani securities market is formed as a debt market (there is a similarity with the German market).
- As a result, the Kazakhstani stock market will be limited not only now, but also in the future in terms of volume and liquidity.
- - Debt raising of funds will exceed in volume financing through shares. It is difficult to expect the emergence of large-scale stock markets that outnumber the government and corporate bonds.
- Venture funding will be carried out in mostly through loans and not through stocks.





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## **Conclusions**

- The role of bank loans will be consistently high. A decrease in this role is possible due to the securitization of debt obligations, and not due to the crowding out of debt financing by growth in equity capital.
- The structure of equity capital will be simplified and non-diversified, it will have a high proportion of controlling owners (family, banking and corporate), and the proportion of individual investors and collective investment institutions will be small.
- The majority of individual investors will continue to be conservative in the choice of financial products. A large part of the population's savings will be traditionally in the form of a deposit or cash.
- - The stock market will have a simpler product structure than in stock-dominated markets. It will not be so innovative. Derivatives markets will be relatively small.



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Indicators of the ratio of financial indicators to the size of GDP are the most common in the system of financial and statistical analysis.

The most common assessment of this ratio is the assessment of the role of this sector (value, indicator) in the development of the economy.

The research has shown that this ratio is assessed in different ways. Thus, the Regulatory Agency characterizes this indicator as the role of the market in the development of the national economy. Professor O.I. Lavrushin defines it as an indicator of development, while Professor Mirkin Ya.M. believes that it characterizes the degree of financial depth of the national economy, its saturation with money. In the financial, banking and general theory of statistics, this indicator is assessed as an indicator of development.

In our opinion, all these characteristics can be used in assessing this ratio, but they are not always correct. In this regard, we consider it possible to name a group of these indicators as indicators of sustainable development. Thus, indicators of sustainability of development unit a group of indicators characterizing the sustainability of development of a sector (industry, region, company) in relation to the value of the gross domestic product created in the national economy.