

# DEVELOPMENT WAYS OF STOCK MARKET IN UZBEKISTAN (IN THE CASE OF “TASHKENT” REPUBLICAN STOCK EXCHANGE)

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**Abstract:** *This article examines the specifics, legal framework and current trends of the securities market in the Republic of Uzbekistan. The purpose of the study is to study the activities of the securities market in Uzbekistan on the example of the Tashkent Stock Exchange. As a result of the study, the following recommendations were made:*

*- The issuance of securities allows enterprises to implement large financial investment projects. For this reason, it is advisable to increase the number of joint stock companies in the regions of the country. An increase in the number of joint-stock companies will allow modernizing the production or service process.*

*“Today, the main part of joint-stock companies operating in the country are agricultural entities, and the number of joint-stock companies in industries producing value-added products is relatively small. In order to modernize the country and develop innovative activities, it is necessary to encourage the state to increase the number of joint-stock companies producing high value-added products. Such incentives will allow the development of an innovative economy, along with the efficient functioning of the stock market.*

*- In the stock market "Tashkent" there is an opportunity to develop e-commerce through the introduction of digital technologies.*

**Keywords:** *stock exchange, stock, securities, joint stock companies, Tashkent Republican Stock Exchange.*

## Introduction

For countries with economies in transition, the development of financial markets is determined by the fact that the real sector is a source of funding for enterprises. Thus, the analysis of this financial market from the point of view of performing the redistribution function seems to be the most relevant. In today's conditions, borrowing is an integral part of financing the real sector of the economy. Low profitability and long-term self-justification compared to the financial sector, it is very difficult to quickly modernize the production capacity required at the expense of own funds only in the conditions of rapid technological development. Therefore, real sector enterprises aim to modernize the enterprise through the issuance of equity and non-equity securities. That is, the financial sector plays an important role in the development of the real sector through securities and debt.

### **Level of study of the topic**

The first group of scholars included scholars who had extensively studied the domestic and foreign stock markets, including Andreas Engertabc, Lars Hornu (1, Andreas Engertabc, Lars Hornu), David Cronin, and Peter G. Dunne (2, David Cronin, Peter G. Dunne). Hadiye Aslan and Praveen Kumar (3, Hadiye Aslan, Praveen Kumar), VS Voronova., P.M. Lanskiy, Y.M. Mirkina, G.N. Beloglazova, V.V. Ivanova, L.P. Krolivetskaya, O.I. Lavrushina, E.M. Popova, N.A. We can cite the scientific research of Savinskaya as an example.

In particular, David Cronin and Peter G. Dunne study the possibility of economic growth through the issuance of bonds in countries in default in the Eurozone.

Hadiye Aslana and Praveen Kumar's research examines the consequences of the forced sale of corporate securities and proves economically and mathematically that the forced sale of corporate bonds during the crisis had a positive effect.

Among Uzbek scholars, the structure of the securities market, types of securities and the activities of the stock exchange have been widely studied in the research of Sh.Sh. Shoa'zami (4, Shoa'zami).

#### **Research methodology**

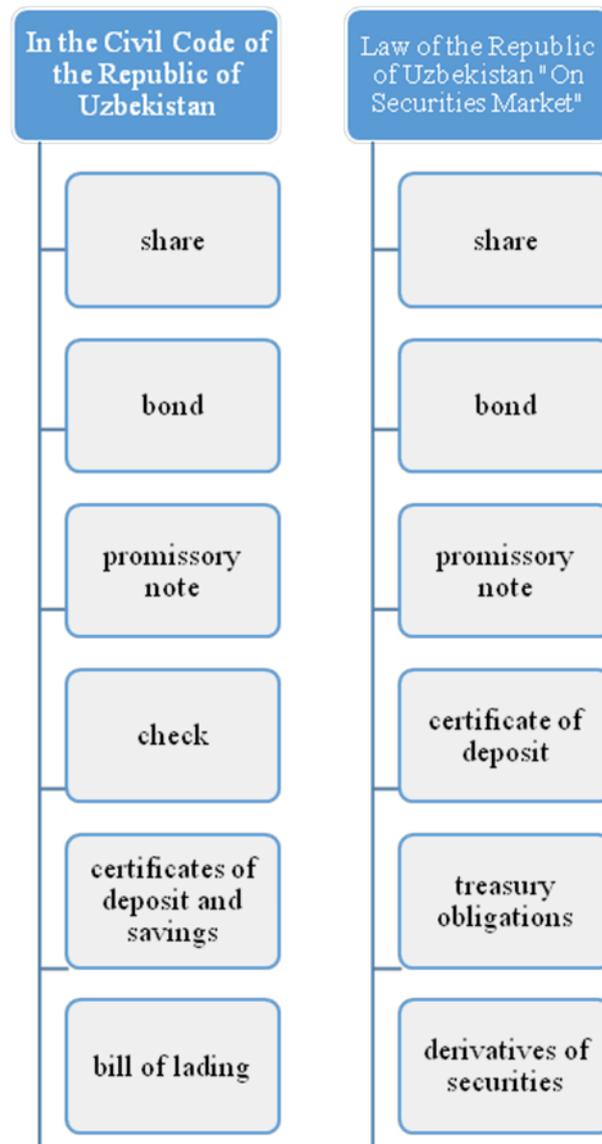
The research used methods of grouping, systematic approach, induction, deduction, comparative comparison, observation, theoretical and practical study, statistical analysis, economic-mathematical and factor analysis.

#### **Analysis and results**

The financial market performs several basic functions to one degree or another:

- redistribution, ensuring the conversion of funds into investments;
- information;
- pricing function;
- redistribution of risks;
- ensures the interaction of the national financial market with the world.

According to the current legislation, securities are documents that confirm the property rights or debt relationship between the legal entity that issued these documents and their owner, provide for the payment of income in the form of dividends or interest, and the transfer of rights arising from these documents.



**Figure 1. Types of securities in our country \***

**\* Image authoring**

In accordance with the legislation of the Republic of Uzbekistan, legal entities have the right to issue securities, and legal entities and individuals can own securities (5, the Law "On Securities Market"). The following types of securities are used in the country (Figure 1).

These securities focus on the largest volume of transactions, taking into account their characteristics in terms of broad classification and financial attractiveness, which should be taken into account.

The following types of securities are regulated in our country.

A capital security is a security that guarantees the right of a shareholder (shareholder) to receive part of the profits of a joint-stock company in the form of dividends, to participate in the management of the joint-stock company and to own a part of the property remaining after its liquidation.

Table 1

Types of securities in accordance with the legislation of the Republic of Uzbekistan (5, Law "On Securities Market")

№	Type of security	Definition in accordance with the legislation
1.	shares	an indefinite, registered security, confirming the right of its owner to receive part of the profits of the joint-stock company in the form of dividends, to participate in the management of the joint-stock company and a part of the property remaining after its liquidation;
2.	promissorynote	a non-issue security confirming the firm obligation of the issuer of the promissory note or other payer specified in the promissory note to pay a certain amount to the holder of the promissory note upon the expiration of the term specified in the promissory note
3.	bond	an issue security that confirms the bondholder's right to receive the face value or other property equivalent of the bond from the issuer within the period specified in the bond, to receive a fixed percentage of the face value of the bond, or other property rights
4.	internationalbond	is an issueable security that is issued by the issuer and placed by a group of financial institutions, offered in one or more countries outside the country of issue, primarily purchased through this group (including by subscription).
5.	option	an issue security, which confirms the right of its issuer to purchase a certain amount of securities at a fixed price within the period specified in it.
6.	corporatebonds	bonds issued by joint-stock companies and commercial banks, regardless of their organizational and legal form.

Many factors affect the investment attractiveness of a securities company. These are: the financial condition of the enterprise, the management system of the organization, product types, transparency of the enterprise, the external environment (competitors, partners), internal data, rumors and more.

On this basis, the system of indicators for assessing the investment attractiveness of the business entity is determined by formal and informal indicators.

Shares are issued by corporations; issuing shares is one of the ways to form corporations.

The issuance of securities allows enterprises to implement large financial investment projects. Shareholders receive a portion of corporate profits called dividends. Dividends depend on the share of profit, its ratio to retained and consumed shares, the company's investment policy and other factors. The owner of the shares also has a number of other business rights, such as the right to vote and the right to be elected to the corporation's management.

Joint stock companies can issue ordinary and preferred shares. Ordinary joint-stock companies have a number of rights, such as the right to participate in the management of the joint-stock company by voting at the general meeting of shareholders, the right to receive information about the activities of the joint-stock company, and so on. The dividend rate on them is set as a guaranteed stable interest rate.

Holders of preferred shares have the right to vote at the general meeting of shareholders when deciding on the reorganization and liquidation of a joint stock company.

According to the data, in 2004 there were 1,800 joint-stock companies in the country. According to the Central Securities Depository, in 2018 there were 604 joint stock companies in Uzbekistan (6, uza.uz).

In 2017, the number of joint-stock companies traded on the Republican Stock Exchange "Tashkent" amounted to 99. That's 45 fewer than in 2016.

To better understand this, it is enough to study the requirements for controlling the financial and economic activities of the company.

Table 2  
Securities in circulation in Uzbekistan

Shares (7, deponent.uz)			
Sphere of economic activity	Number of joint stock companies	Issue volume (billion dollars)	Shares (number)
Total	598	87 691,94	7 834 874,03
Industry	165	41 352,27	2 245 048,31
Agriculture	198	4 680,75	1 461 753,63
Services	168	16 845,52	153 386,16
Including the financial market	67	24 813,40	3 974 685,94

While the issuance of securities by the real sector of the economy is a source of income for legal entities and individuals who buy securities, it is a long-term loan for real sector enterprises that issue securities, which allows to modernize the enterprise.

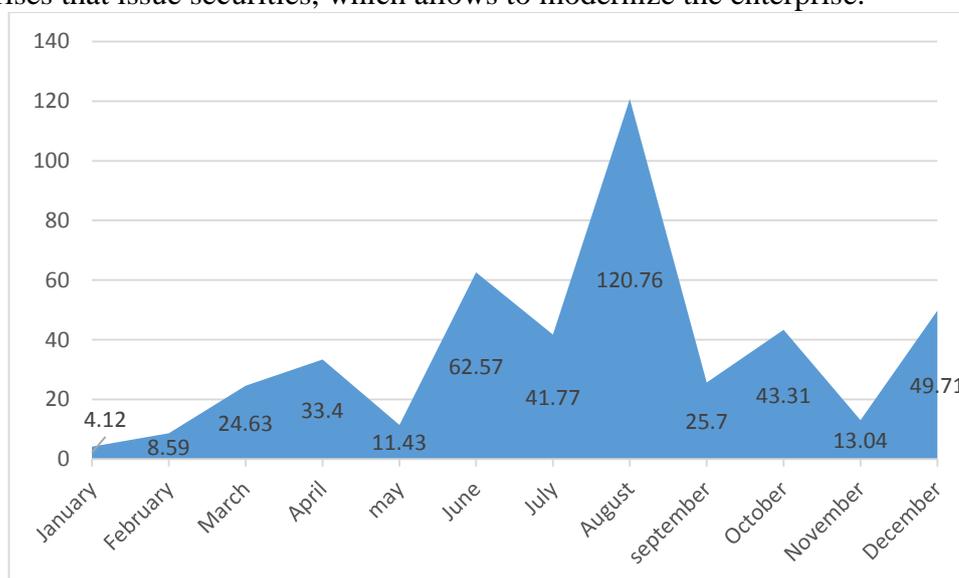
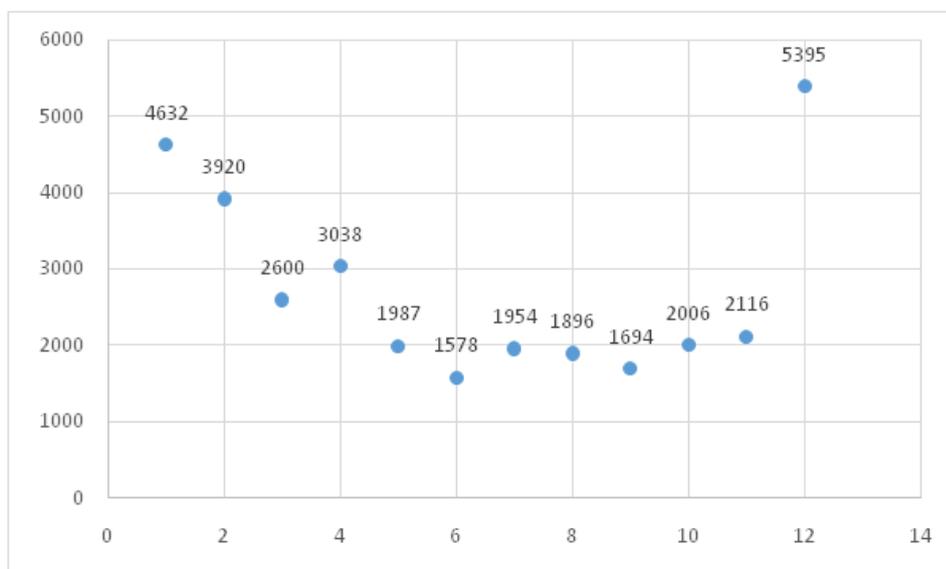


Figure 2. Dynamics of exchange trading volume in 2019 (8, uzse.uz)

According to the results of 2019, 8.11 billion soums of 99 issuers were traded on the Tashkent Republican Stock Exchange. 32,816 transactions in securities worth 438.82 billion soums were registered.

30,512 transactions worth 250.77 billion soums were traded on the Main Board, 26 deals worth 133.67 billion soums were traded on the Nego Board and 38.57 billion soums were traded on the Bond Market. 126 transactions worth UZS were made. Also, as a result of the IPO, 152 transactions worth 15.81 billion soums were made with the securities of Quartz JSC.



**Figure 3. Number of exchange trades in 2019 (January-December) (8, uzse.uz)**

Despite the significant decrease in the volume of transactions with securities of banks in the last quarter of 2019, the amount of transactions with them by sector in terms of transactions in 2019 amounted to 72.81% or 319.5 billion soums. The most liquid securities in 2019 were issuers operating in the construction, industry and banking sectors, 12,430 transactions with securities of issuers in the construction sector accounted for 37.88% of the total volume, issuers in the industrial sector accounted for 30.55% of securities with 10.55%. There were 026 transactions and 7,692 transactions with securities of the banking sector, which accounted for 23.44% (8, uzse.uz).

In 2019, transactions with securities of issuers in 11 regions of the country were held. The largest volume of trade is in Tashkent region, with 7,839 transactions worth 275.64 billion soums signed with securities of 49 issuers. Andijan region - 5 issuers participated in the auction and traded with them 2,526 transactions worth 37.36 billion soums; Tashkent region - traded in securities of 9 issuers, with which 3,467 transactions worth 34.19 billion soums; Fergana region - 9,879 transactions worth 32.55 billion soums (excluding IPO JSC "Quartz") with securities of 9 issuers. 6,334 transactions worth 15.7 billion soums were signed with 2 issuers of Navoi region. In Namangan region, securities of one issuer amounted to 22.58 billion soums. soums. In 2019, no less than 2 billion soums were traded in securities of issuers in other regions.

### **Conclusions and suggestions**

Based on the above, the following conclusions were drawn:

- Although the legal framework of the stock market in the Republic of Uzbekistan is in line with international standards, practical problems in the process of stock exchange trading, joint-stock companies' stock trading operations require improvement of the country's stock market;

- The reason that hinders the development of the stock market of Uzbekistan and the fact that the organizational and legal form of "Joint Stock Company" is not attractive to entrepreneurs at all - the current procedures set excessive requirements for joint stock companies;

- In 2019, the largest volume of trade in the country falls on the Tashkent region, 7,839 transactions worth 275.64 billion soums were signed with securities of 49 issuers. But in other regions of the country the number of issuers is low;

- Despite the significant decrease in the volume of transactions with securities of banks in the last quarter of 2019, the amount of transactions with them by sector in 2019 amounted to 72.81% of the volume of transactions or 319.5 billion soums.

Based on the above, the following is proposed:

- The issuance of securities allows enterprises to implement large financial investment projects. For this reason, it is advisable to increase the number of joint stock companies in the regions of the country. An increase in the number of joint-stock companies will allow modernizing the production or service process.

- Today, the main part of joint-stock companies operating in the country are agricultural entities, and the number of joint-stock companies in industries producing value-added products is relatively small. In order to modernize the country and develop innovative activities, it is necessary to encourage the state to increase the number of joint-stock companies producing high value-added products. Such incentives will allow the development of an innovative economy, along with the efficient functioning of the stock market.

- In the stock market "Tashkent" there is an opportunity to develop e-commerce through the introduction of digital technologies.

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