

Stock Market in Uzbekistan: Current Situation and Development Prospects

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ABSTRACT: *The article analyzes the development trends of the stock market at the national and international level, the current state of operations in the stock market, and determines the factors influencing the development of the stock market. The stock market is an important tool for economic growth, as it is able to transform savings into investments. Therefore, in the context of globalization, the study of the conditions for the formation and development trends of the stock market is relevant. Objectives. Assessment of the current state of the stock market, identification of key problems hindering its effective development, and development of measures to eliminate them. Methodology. Used logical, statistical and graphical methods of analysis. Results. Problems that impede the effective development of the stock market are identified. First of all, it is the low level of capitalization of the stock market, the lack of developed infrastructure, failure to establish an effective mechanism for issuing and selling securities, the abundance and complexity of legal documents related to the stock market sector and the existence of many restrictions, insufficient improvement of the mechanism of protection of investors' interests and absence of institutional investors and professional market participants. Concrete proposals have been formulated to eliminate the problems of the development of the stock market: attracting domestic and foreign investors, increasing the dividend yield on shares by issuers, improving the legal framework and taxation system, developing a system for insuring transactions in the stock market, and implementing the principle of information openness. Conclusions. Further development of the stock market is possible only with an integrated approach both on the part of the market itself and the state. In order to attract new investors to the domestic stock exchange, it is necessary to regularly carry out activities to improve the financial literacy of the population and develop new tools to involve citizens in investing.*

KEYWORDS: stock market, investment, equity market, stock, financial institutions, listing companies, government bonds, IPO and SPO, investment policy.

INTRODUCTION

It is known from the world experience that stock market opportunities are widely used as one of the important means of attracting investment to the national economy. This market, as the main link of the financial system, plays an important role in increasing its stability and international competitiveness of the country.

It is known from international practice that the modernization and innovative development of the national economy requires large-scale investments. Financial markets, in particular, the stock market, play an important role in this process. The level of development of the stock market is one of the important links that determine the development of the country's financial market. In the development of the system, the level of capitalization of the trade structures within it, the size of the turnover, the level of profitability of securities and the liquidity of instruments in circulation are important. In addition, the development and international integration of the stock market is the main factor influencing the attraction of foreign investments to the country's economy. For this reason, special attention is paid to the development of the stock market in all countries with developed economies.

Deepening structural reforms in the national economy, increasing the competitiveness of the national economy at the expense of diversification and modernization of leading industries is the main condition for the successful implementation of the "Development Strategy of New Uzbekistan for 2022-2026". In order to increase financial resources in the economy, it has been set as a special priority to increase the turnover of the stock market from 200 million US dollars to 7 billion US dollars in the next 5 years (Decree, 2022). In this regard, it is an urgent issue to implement important measures to develop the national stock market, increase its role in the financial system and its effectiveness in the development of the national economy.

In order to effectively fulfill the above priority tasks, large-scale reforms aimed at creating favorable conditions for ensuring economic growth, increasing competitiveness, deepening the processes of modernization and diversification of the economy, expanding the opportunities of the capital and stock market in attracting large investments are being implemented. In this case, further reduction of state participation in the economy, development of the stock market and creation of a healthy competitive environment are the basis for active investment policy, rapid and stable development of all spheres of society and state activity.

In recent years, many reforms have been implemented to develop the stock market of our country. On January 14, 2019, in order to rapidly implement institutional and structural reforms, introduce effective mechanisms for the management of state assets, regulate the fight against monopoly, and fundamentally improve the system of reliable operation of the capital market, on January 14, 2019, the President of the Republic of Uzbekistan "Management of state assets, regulatory system for the fight against monopoly and Decree No. PF-5630 "On measures to fundamentally improve the capital market" was adopted. The adoption of this Decree was an important practical step towards the consistent implementation of a number of structural reforms in the areas of state asset

management, competition and capital market development. In accordance with it, the main directions of state policy in the areas of state asset management, financial rehabilitation of economically insolvent enterprises with state participation, regulation of competition and anti-monopoly fight, development of the capital market were defined (Decree, 2019).

LITERATURE REVIEW

In the conditions of globalization, it is important to create the necessary conditions for the development of the national stock market and, on this basis, attracting investments to the economy and strengthening its integration into the world financial market. The theoretical and practical aspects of the stock market and its development and improvement have been studied by many foreign economists as a special scientific research, and these studies have important scientific approaches. In particular, the factors influencing the development of the world stock market, ways to improve the regulation of national stock markets, and issues of increasing the role of the stock market in the sustainable development of the economy were discussed by Mirkin (2009) and Rubtsov (2008) studied.

Burenin (2011) justified the characteristics of the development of the stock market and the directions of development of term transactions in the stock market. M. Eskindarov and Zvonova (2019) conducted research on the composition of the world stock market and its development trends, increasing the role of international financial organizations in the regulation of the world stock market, and modern trends in the development of operations in the stock market. Cott, Murray and Blok (2010) researched the ways of introducing new instruments to ensure the development of the stock market and effectively organizing the circulation of securities. A. Hailemariam and Guotai (2014) identified the important aspects of the development of the modern stock market and developed recommendations regarding the wide use of stock market opportunities in ensuring economic growth, including attracting investments through this market.

Masoud (2013) conducted research on ensuring stable economic growth through the development of the stock market and increasing the effectiveness of the stock market in increasing the investment potential, as well as increasing the volume of capital turnover based on the mutual coordination of the activities of the participants of this market. Butikov (2019) researched the national stock market and ways of its development, the important aspects of improving the stock market, and the main directions of ensuring the integration of the stock market into foreign stock markets.

Sh. Shoha'zami (2011) conducted scientific research on the methodological foundations of the strategic development of the stock market of Uzbekistan and the improvement of the stock market regulatory system. Khalikov (2017) researched the theoretical concepts of increasing the volume of investment through the stock market, supporting and encouraging it with the help of various financial instruments, increasing its role in production and employment of the population, and ensuring economic growth through the stock market and its acceleration factors.

Khojamurodov (2019) improving the infrastructure of the stock market in order to fully launch the secondary market of securities, to regularly announce the value of shares on the stock exchange, to increase the enthusiasm and aspiration of the population to buy shares, to turn shares into real securities and to ensure that they become an important source of income for shareholders studied the issues.

The development of the stock market in the economy and the wide use of its capabilities play an important role not only in ensuring economic growth, but also in increasing the country's competitiveness at the international level. In the conditions of modern globalization, it is urgent to determine the directions for the development of the national stock market, taking into account changes in the global financial market.

RESEARCH METHODOLOGY

The scientific-theoretical basis of the development of the stock market, the current state of the stock market and its operations were analyzed. Also, by eliminating existing problems in the stock market, independent approaches were formed to strengthen its position in increasing the stability of the national economy.

Analysis and discussion of results

Currently, the stock market of Uzbekistan has reached a new stage of development, which is influenced by a number of economic reforms implemented in the country. For the stock market in 2021, there have been significant changes in its performance, both quantitatively and qualitatively. This is evidenced by the growth of stock market turnover, the acceleration of transactions, the development of all infrastructures serving the stock market, and the improvement of legislation and coordination. All this serves to strengthen the interest of stock market participants and the general public.

“Tashkent” republican stock exchange is the main trading area of the stock market of our country. In 2021, the total volume of stock market turnover is amounted 1260,5 billion UZS and increased by 2,5 times compared to the previous year's turnover. During this period, the number of transactions with securities on the stock exchange amounted to 71489 which has increased by 2 times compared to 2020. During 2021, stock transactions with 14181,6 million units of securities of 108 joint-stock companies were carried out through stock trading. From the data of the following picture, we can see the change in the total volume of trade turnover of “Tashkent” republican stock exchange. In 2021, the total volume of trade turnover amounted to 1260,5 billion UZS, an increase of 961,9 billion UZS compared to the figure in 2017.

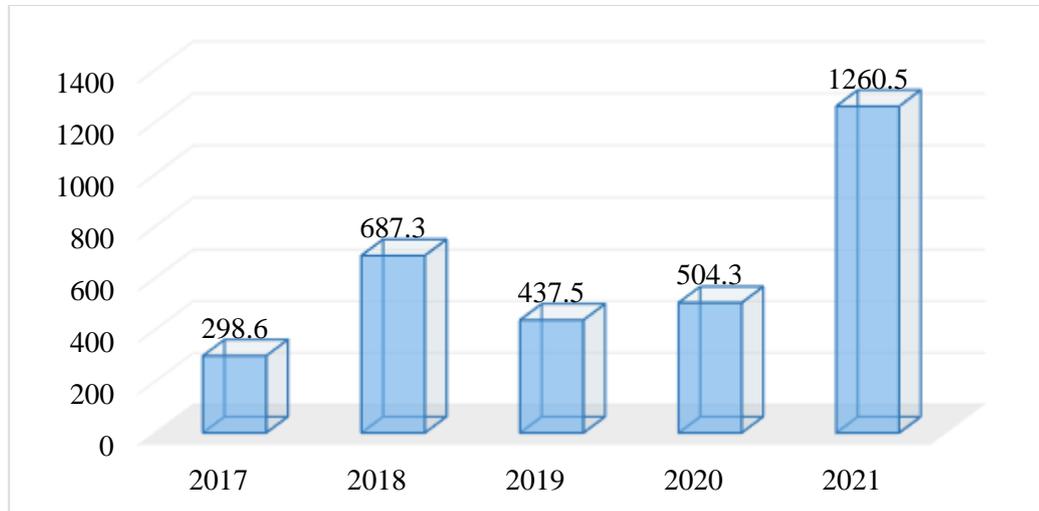


Fig.1. Total volume of trade turnover of "Tashkent" republican stock exchange (billion UZS) (www.uzse.uz)

Also, it can be seen from the data that due to the coronavirus pandemic observed in 2020 and the decline observed in the entire world stock market in previous years, the volume of sales has decreased significantly compared to previous years. However, as a result of the active implementation of the measures aimed at the development of the securities market in our country, the volume of securities trade has increased again.

Table 1 : The share of sectors in the amount of transactions on the stock market in 2019-2021 (billion UZS) (www.uzse.uz)

Sectors	2019 year	Percent	2020 year	Percent	2021 year	Percent
Banks	319,5	73,02	263,4	52,23	312,61	24,80
Insurance companies	6,76	1,54	49,06	9,73	36,41	2,89
Agriculture	27,87	6,37	39,78	7,89	40,18	3,19
Lease	0,078	0,02	0,16	0,03	0,41	0,03
Construction	34,69	7,93	15,99	3,17	641,17	50,87
Industry	39,51	9,03	12,23	2,42	95,14	7,55
Others	9,14	2,09	123,72	24,53	134,58	10,68
Total	437,55	100	504,34	100	1260,51	100

The analysis of the trading turnover of the stock exchange in 2019-2021 shows that the place of companies operating in the financial sector of the economy is being taken by companies in the construction sector, and the securities of companies in this sector have gained high investment attractiveness.

In 2021, 1,260 billion soums worth of transactions involving the shares of 108 issuers were carried out on the stock exchange, of which about 51 percent corresponded to the share of the construction industry. The contribution of the transactions made with the securities of companies in the construction industry was 50.87 percent or 641.12 billion soums in the stock market turnover.

Companies operating in the financial sector accounted for 27.72 percent or 349.43 billion soums of the total turnover, of which 312.61 billion soums or 89.5 percent consisted of transactions with securities of commercial banks. Insurance companies participated in the financial network with a turnover of 36.41 billion soums (2.89%), leasing companies with a turnover of 0.41 billion soums (0.03%). Also, in 2021, the share of the industrial sector in the turnover of the general stock exchange increased by 7.55 percent or 95.14 billion soums. In general, although there was no significant change in the amount of transactions made with banks in the stock market over the last three years, the expansion of the activities of other sectors in the stock market contributed to the growth of the general trade turnover.

One of the main goals of the stock exchange today is to attract financially stable and liquid joint-stock companies in our republic to the listing. The inclusion of joint-stock companies in the official stock exchange listing indicates a certain level of reliability and financial stability of these companies, and the constant disclosure of information about them increases the confidence of investors in making investments.

According to the analysis, the interest and confidence of individuals and legal entities in securities of commercial banks as investors in stock exchange trading is constantly increasing. Today, a number of commercial banks are effectively operating in the stock market, having established brokerage offices to carry out professional activities in the securities market.

In order to expand the participation of commercial banks in stock exchanges, a number of measures are being implemented to develop their effective cooperation with foreign investors and financial institutions and to adopt their best practices.

Table 2 : Information about the issuers with the largest sales volume in 2021 (www.uzse.uz)

Name of the issuer	Organization	Transaction size, units
"Kvartz" JSC	Company	9628
"Kyzilkumtsement" JSC	Company	8434
Commodity exchange of the Republic of Uzbekistan	Company	7124
"Hamkorbank" ATB	Bank	6845
"Ipotekabank" ATB	Bank	6072
Mining and metallurgical combine of Uzbekistan	Company	5867
"Sanoatkurilishbank" JSC	Bank	5610
"Quvaysoytsement" JSC	Company	2114
"Sarbon Neftegaz" JSC	Company	1591
"Kokon Mechanical Plant" JSC	Company	1555

The data of the table shows that commercial banks such as "Hamkorbank", "Ipotekabank", "Sanoatkurilishbank" are among the 10 largest issuers with the highest volume of trading transactions on the republican stock exchange during 2021, with the volume of their trading transactions amounting to 18,527 units by the end of 2021. 33.7 percent of total transactions were

accounted for by banks. The volume of transactions of companies was 36313 units or 66.3. This, in turn, indicates that the scope of activity of banks in the securities market is decreasing, and the share of joint-stock companies is increasing.

Table 3 : Information on issuers with the largest sales volume in 2021 (www.uzse.uz)

Name of the issuer	Organization	Transaction volume, billion UZS
"Kapitalbank" JSC	Bank	93,67
"Savdogarbank" JSC	Bank	83,51
"Orientfinance" JSC	Bank	53
Commodity exchange of the Republic of Uzbekistan	Company	26,05
"Quvaysoytsement" JSC	Company	24,54
Mining and metallurgical combine of Uzbekistan	Company	21,02
"Repair of oil and gas production" JSC	Company	10,9
"Kyzilkumtsement" JSC	Company	10,26
"Kvartz" JSC	Company	9,04
"Chief Special Design Bureau-Agromash" JSC	Company	6,01

The data of the table shows that commercial banks such as "Kapitalbank", "Orientfinance", "Savdogarbank" and "Kapitalbank", "Orientfinance", "Savdogarbank" with the highest trading volume on the republican stock exchange during 2021, and their trading volume amounted to 230.18 billion soums by the end of 2021 68 percent of the total trade volume was accounted for by banks. The volume of the companies' trade was 107.82 billion soums.

During 2021, the stock exchange actively worked to create an opportunity to identify the most reliable and high-quality securities by placing securities of financially stable and liquid joint-stock companies on stock exchange trading. Listed companies include commercial banks, insurance companies, oil and gas industry, agro-industrial complex, energy and metallurgical sector, joint-stock companies operating in a number of other sectors. Today, 5 of the joint-stock companies listed on the stock exchange list belong to the "A" category, 15 to the "V" category, 87 to the "S" category, and 40 to the "R" category.

Increasing the number of professional participants and qualified specialists in the development of the stock market is an urgent issue. The number of valid licenses for professional activity in the stock market is 147, in particular, 16 were issued in 2021 and 21 licenses expired.

At the beginning of 2019, the Capital Market Development Agency was established in our country as the first stage of reforms aimed at mobilizing free funds in the economy through the stock market and channeling it into investment processes, and state bonds were re-issued to the stock

market. However, despite the implemented measures, the mechanism of issuing securities and selling them on the stock market is not being used effectively.

The total value of the stock market of our country in 2021 will be 1260.5 billion soums, which is less than 1% of the GDP. This situation shows the need to activate measures aimed at developing the stock market in our country. Because this indicator is 188% in Singapore, 149% in the USA, 112% in Malaysia, 34% in Russia, 19% in Turkey, 22% in Kazakhstan, 46% in China, 87% in South Korea, and the global indicator is 93%.

It should be noted that for the development of the stock market, it is necessary to expand the scope of its participants. One way to attract and increase the number of different issuers in the stock exchange is to create criteria for different types of issuers. If issuers on the stock exchange increase, and bonds and shares are issued by them and are profitable, the interest in buying them will increase, and as a result, the balancing of shares of banks and stock exchanges in the gross domestic product will be ensured. Also, increasing financial literacy among the population plays a special role in the development of the stock market. At the same time, it is advisable to use advanced foreign experience in the direction of depository activity development. Among these are the introduction of international payments in the process of trading with securities, the maintenance of deposit accounts of foreign investors, the development of its rules, and the improvement of the relevant legal framework.

Today, this field is regulated by about 100 regulatory documents, and many restrictions are set. It is known that in developed countries, banks are active participants of the stock market, and in our country, banks are prohibited from buying shares of other entities in the primary market. Therefore, it is necessary to revise the legislation related to the sector, cancel the excessive restrictions and simplify the operation of the stock market based on advanced foreign experiences.

Today, most of the shares of the joint-stock company have a high share of the state, which is one of the main factors that negatively affect the development of the stock market. Based on world practice, it is necessary to increase the types of securities in circulation on the capital market and improve trading systems. In a number of foreign countries, the daily trading turnover and liquidity of securities is high, because there is a balance between supply and demand, that is, there are enough active sellers and buyers on the exchange. This is one of the main factors that ensure the development of the stock market. In addition, it is important to increase the number of joint-stock companies and attract more individuals and legal entities to this market in order to bring this market activity to the level of demand. In this regard, it is desirable to expand the scale of IPO and SPO, that is, the sale of shares of joint stock companies through primary and secondary public auctions.

Although consistent measures are being taken to develop the stock market, there are still issues in the system that are waiting to be resolved. Including:

- failure to establish an effective mechanism for issuing and selling securities;
- the abundance and complexity of legal documents related to the stock market sector and the existence of many restrictions;

- insufficient improvement of the mechanism of protection of investors' interests and absence of institutional investors and professional market participants;
- lack of strategic planning, risk analysis and management system, including the low technical level of production, the presence of many non-specialized assets, the low investment attractiveness of state-owned enterprises due to the allocation of financial resources to non-production purposes;
- non-compliance of regulatory legal acts on anti-monopoly regulation with international standards and today's requirements, absence of a system for assessing the impact of legal acts on competition, and outdated methods of analyzing commodity and financial markets;
- relatively low level of financial literacy of the population regarding the stock market and its activities;
- state control of the majority of joint-stock companies is one of the factors hindering the development of the capital market.

CONCLUSION

In the measures for the development of the capital market in our country, it is necessary to form a comprehensive strategy for the development of this market, to assist in the formation of its effective infrastructure, and to activate practical actions aimed at the rapid development and expansion of the secondary securities market, to improve the corporate management system based on advanced foreign experiences, to strengthen international relations in the field of capital market regulation. issues such as development should gain special priority. One of the components of the investment policy of Uzbekistan is a regional investment policy. In the conditions of liberalization of the economy, ensuring its sustainable growth, the role of the regional economy is growing, the development of which requires the development and implementation of an independent regional investment policy as an integral part of the regional socio-economic policy (Ataniyazov, 2018).

Also, the active participation of enterprises in the capital market through the issuance of corporate bonds and attracting funds has an important place in the development of the national economy. This practice is currently not developed in our economy. In addition, if there are more than 600 joint-stock companies, very few of them are listed on the stock exchange, but cannot attract money from there. Because there are some obstacles in this process, including problems such as protecting the rights of shareholders, paying dividends on time, and ensuring their participation in the general meeting of shareholders. In general, in the development of the capital market, increasing the financial literacy of the population and increasing their trust in this market are important issues.

Along with the above tasks, it is advisable to pay special attention to the following:

- one of the main tasks in the field of increasing the role of the stock market in the economy, it is necessary to increase the level of market transparency, which is achieved by creating equal conditions for all interested parties to receive information about the securities market. For this, it is necessary to develop programs and measures aimed at ensuring disclosure of information by stock market issuers and qualified participants.
- in order to increase the investment attractiveness of large issuing companies of strategic importance, it is necessary to gradually reduce the state share in their share capital structure;

- it is necessary to adjust the amount of economic requirements imposed on professional participants of the securities market to the size of the stock market;
- it is necessary to improve the regulation mechanism of the securities market;
- it is necessary to achieve emission activity of the securities market by widely involving state enterprises in the process of privatization;
- it is necessary to amend and make additions to the relevant law in order to give limited liability companies the right to issue bonds;
- it is necessary to implement systematic measures for the training of highly qualified personnel operating in the stock market.

Wide implementation of the above-mentioned proposals and measures will increase the role of the stock market in the economy in Uzbekistan and ultimately serve the sustainable development of the national economy.

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