
ISSUES TO INCREASE THE PARTICIPATION OF STATE-OWNED ENTERPRISES IN THE SECURITIES MARKET

DR. KHASAN AKMEDOV

Abstract

Keywords:

state involving businesses, private businesses, valuable securities, shares, bonds, dividends

This article discusses the relevance, importance and significance of the study of securities transactions of state-owned enterprises and commercial banks in the stock market based on the views of various economists. Research methods used in the analysis of securities of state-owned enterprises are discussed. The study of the securities of state-owned enterprises examined the impact of the state on the activities of enterprises, and the state participation in large companies was analysed by regions. In addition, the operations of such enterprises with securities in our country have been studied on the example of commercial banks. Scientific conclusions and recommendations on securities operations of state-owned enterprises are presented.

Author correspondence:

Khasan Akmedov Ruzibayevich

Associate Professor, Doctor of Philosophy in Economic Sciences (PhD), Deputy Dean of Faculty of Accounting and Audit, Tashkent Institute of Finance, Tashkent, Uzbekistan

INTRODUCTION

Today, government involvement in corporate structures is one of the most important factors influencing their level of development. If we look at the practice of developed and developing countries, we can see that government participation in corporate structures varies. In particular, in developed countries the rate is relatively low due to the fact that development is based on private property, while in developing countries it is relatively high due to incomplete formation of private property and incomplete government regulation and efficiency mechanisms.

In the practice of our country, we can see that a large part of the total capital of joint-stock companies belongs to the state. The study and analysis of securities operations of state-owned enterprises will help to identify the role of state-owned enterprises in the development of the securities market in our country, the existing barriers and problems. Therefore, it is important to study the securities operations of state-owned enterprises in our country.

LITERATURE REVIEW

The study of the securities of state-owned enterprises focused on the views of a number of economists. Alexander Abramov, Alexander Radygin, and Maria Chernova noted that state-owned enterprises include companies that are directly or indirectly state-owned and that differ significantly in terms of operational efficiency. It is advisable to privatize the shares of related companies. There are several ways to address this problem, including the application of corporate governance principles in state-owned enterprises, improving corporate governance in state-owned enterprises, strengthening government monitoring of state-owned enterprises, setting targets for management groups to reduce costs and improve company efficiency [1].

A group of economists points out that the impact of state-owned enterprises on economic growth is crucial, and that it depends on the level of institutional quality that reflects the internal socio-economic environment: the better the institutional environment in state-owned enterprises, the better the overall efficiency of state-owned enterprises. is high [2].

According to Jeremy Schwarts, state-owned enterprises are generally defined as companies that are fully or partially owned or managed by the state. According to some investors, state ownership of enterprises can have a negative impact on a company's operational performance, as state-owned companies can be affected by a wide range of interests in addition to benefiting shareholders.

In developed markets such as the United States, Europe, and Japan, there are very few state-owned companies, and the practice of public offering allows corporations to conduct their business without direct government intervention. Emerging markets in countries such as China and Russia are dominated by large state-owned enterprises, with some state-owned joint-stock companies in the domestic market. Such a system is a source of risk for the economy, as the government can put pressure on these companies to put the interests of the state ahead of the interests of other shareholders [4].

Shares representing the state share are also issued by state-owned enterprises and are owned by state-owned enterprises. When a state-owned enterprise issues securities, part of it is held by a government organization or a state-authorized holding company.

According to Professor S. Elmirzaev, in state-owned enterprises, the state can perform a number of functions related to the enterprise and its securities. In particular:

- full ownership of the voting shares of the joint-stock company;
- ownership of a controlling stake in joint-stock companies;
- ownership of a certain share in the charter capital of a joint-stock company;
- Introduction of gold stock practice [6].

Taking into account the views of the above scholars, it should be noted that the study of securities transactions of state-owned enterprises is important for the development of financial markets.

RESEARCH METHODOLOGY

Methods such as comparison, induction, deduction, analysis, and synthesis were used to study and analyse the securities transactions of state-owned enterprises.

ANALYSIS AND RESULTS

Today, we can see that the participation of the state in corporate structures varies around the world. While this share is small in developing countries, we can see that the share is high in companies in developing countries. If we analyze the composition of the largest companies in the world, it should be noted that these companies also include companies with state participation (Table 1).

Table 1

The analysis by regions of top 500 state-owned companies of the world[7]

№	Region	2000	2019
1.	The world on total	34	132
2.	Asia on total	16	100
3.	China	8	90
4.	India	1	4
5.	Japan	5	2
6.	Other Asia countries	2	4
7.	Europe -total	15	20
8.	France	6	9
9.	Russia	1	3
10.	Germany	2	3
11.	Italy	2	3
12.	Of Europe other countries	4	2
13.	Other regions	3	12
14.	Brazil	1	4
15.	United States	1	3
16.	Mexico	0	2
17.	Medium East	1	3

In particular, based on the analysis of the composition of the world's 500 largest companies in 2019, it should be noted that a total of 132 of these companies have state participation, covering 100 companies in Asia, 20 in Europe and 12 in other regions.

In terms of financial stability, the balance between the private sector and public share in corporate structures in the country is further complicated by the fact that the state owns state-owned enterprises. The Organization for Economic Co-operation and Development (OECD) estimates that a quarter of the world's largest companies are wholly or partly state-owned. In 2019, the public sector accounted for 14% of global market capitalization among the world's listed companies. In a number of emerging and post-transition economies, the share of the public sector is even higher.

Taking into account the fact that commercial banks are relatively active in the securities market among the joint-stock companies of the country, we analyze the securities operations of commercial banks.

Table 2

JSCB "Uzpromstroybank" released bonds indicators [8]

№	Volume, (million UZS)	Nominal value, (UZS)	Registration past date	Interest	Duration
1	4,000 UZS	100,000 UZS	March 29, 2010	11%	2184 day
2	6,000 UZS	100,000 UZS	March 29, 2010	Refinancing rate of CBU	3640 day
3	28,000 UZS	100,000 UZS	12/29/2010	Refinancing rate of CBU	3640 day
4	10,000 UZS	100,000 UZS	10.08.2012	Refinancing rate of CBU - 1	3640 day
5	10,000 UZS	1,000,000 UZS	11.02.2014	Refinancing rate of CBU - 1	1820 day
6	50,000 UZS	1,000,000 UZS	11/19/2019	Refinancing rate of CBU + 2	1092 day
7	50,000 UZS	1,000,000 UZS	11/19/2019	Refinancing rate of CBU + 3	1820 day
8	50,000 UZS	1,000,000 UZS	11/19/2019	Refinancing rate of CBU + 4	2548 day

If we look at the issuance of bonds by JSCB "Uzpromstroybank", we can see that after 2010, several local bonds were issued (Table 2). The interest payments on these bonds are mainly fixed at the refinancing rate of the Central Bank of the Republic of Uzbekistan.

Table 3

Issued Eurobonds JSCB "Uzpromstroybank" [8]

№	Size, (million USD)	Nominal value (thousand United States dollars)	Total number of issued bonds	Placed date	Payment date
1	300	200	1,500	02.12.2019	02.12.2024

In 2019, JSCB "Uzpromstroybank" conducted a financial operation to attract capital from the international financial markets. In particular, on December 2, 2019, for the first time in Uzbekistan, JSCB "Uzpromstroybank" placed corporate Eurobonds. By placing these Eurobonds on the London Stock Exchange, Amount of capital was attracted for a period of 5 years is 300 million USD (Table 3).

Later, other banks also placed corporate Eurobonds. In particular, it should be noted that by 2020 "Ipoteka-Bank" JSCB issued corporate Eurobonds on the London Stock Exchange (Table 4).

Table 4

Analysis of the first Eurobonds issue by “Ipoteka-Bank” JSCMB[9]

Precious of papers international identification number (ISIN)	XS2260457754
Emission rating	S&P: BB- and Fitch: BB-
Emission degree	Not guaranteed
Format	Reg S
Currency	United States dollars
Emission amount	300 mln . United States dollars
Cost	100.0 (par)
Coupon	5.5% per annum, paid semi-annually on May 19 and November 19 in equal. Date of first payment - May 19, 2021.
Pricing date	November 12 , 2020 y.
Accounting date	November 19 , 2020 y.
Extinction term	5 years , November 19 , 2025 y.
Basic debt repetition	One-time payment at the end of the term
Listing	London Stock Exchange, regulated to be placed market
Legislation	English legislation
Denomination	\$ 200,000 _ x 1,000 USD .

According to Table 4, “Ipoteka-Bank” JSCMB also issued loans worth \$ 300 millionUSD for a period of 5 years. Eurobonds are interest-bearing at 5.5% per annum and are scheduled to be paid semi-annually.

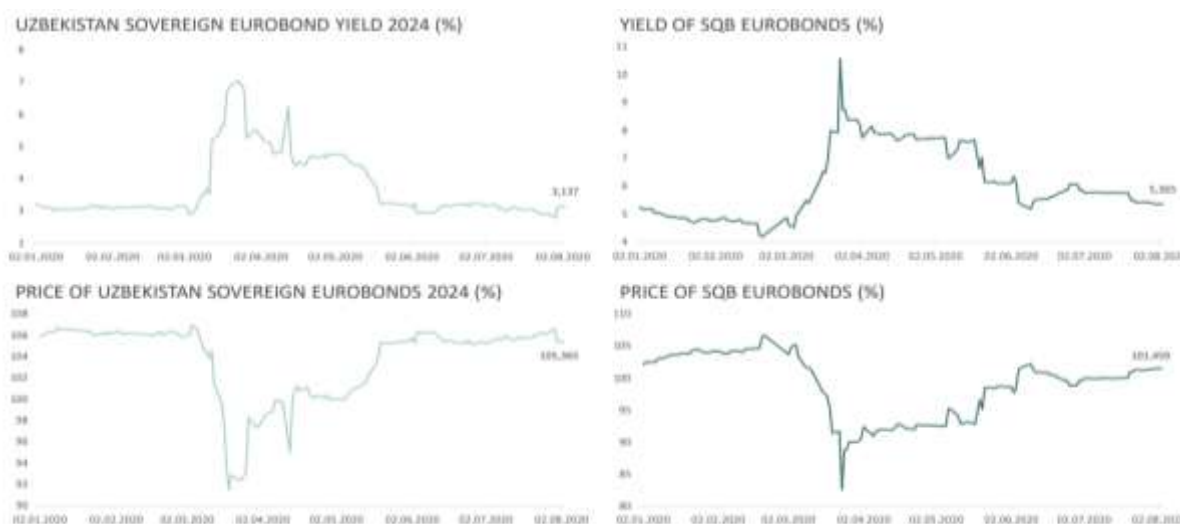


Fig. 1.SQB AND SOVEREIGN EUROBONDS

If we pay attention to the analysis of shares issued by JSCB "Uzpromstroybank" and dividends paid on them, the nominal value of shares of JSCB "Uzpromstroybank" is 19 UZS. Today, the bank's authorized capital is 4.634 trillion UZS. The number of placed shares amounted

to more than 243.551 billion UZS. We can analyze the operations related to the shares which paid the dividends by JSCB "Uzpromstroybank".

Table 5

Dividend payments of JSCB "Uzpromstroybank" in 2018-2020[8]

Action types	2018	2019	2020
Simple shares for:	3.13%	2%	~ 7,632% (1,45 UZS)
Payment for calculated dividends amount (million UZS)	71 350.16	354769.0	353 686.59
Privileged shares for:	23%	23%	23%
Payment for calculated dividends amount (million UZS)	1,616.90	1,616.90	1,616.90

JSCB "Uzpromstroybank" paid dividends for each ordinary share in the range of 2-7,632%, for preference shares at a fixed 23% (Table 5).

Table 6

Analysis of dividends paid by "Ipoteka-Bank" JSCMB[9]

Paid year	Year results on	Simple shares (1stock in UZS)		Privileged shares (1stock in UZS)		Nominal value of the share (UZS)
		Money	Capital	Money	Capital	
2006	2005	200.00	-	400.00	-	1,000.00
2007	2006	-	-	400.00	-	1,000.00
2008	2007	130.00	-	400.00	-	1,000.00
2009	2008	150.00	-	400.00	-	1,000.00
2010	2009	150.00	-	250.00	-	1,000.00
2011	2010	40.00	360.00	250.00	360.00	1,000.00
2012	2011	68.00	340.00	317.50	340.00	1,360.00
2013	2012	85.00	450.00	403.75	450.00	1,700.00
2014	2013	-	672.00	509.40	672.00	2 150.00
2015	2014	-	756.00	705.50	756.00	2,822.00
2016	2015	54.00	448	894.50	448	3,578.00
2017	2016	0.08	-	0.25	-	1.00
2018	2017	0.06	-	0.25	-	1.00
2019	2018	0.08	-	0.25	-	1.00
2020	2019	-	-	0.25	-	1.00

If we look at the dividend payments on shares of "Ipoteka-Bank" JSCMB, after 2016 the share price was reduced from 3578 UZS to 1 UZS and the dividend on ordinary shares was 8%, on preferred stock - 25% (Table 6).

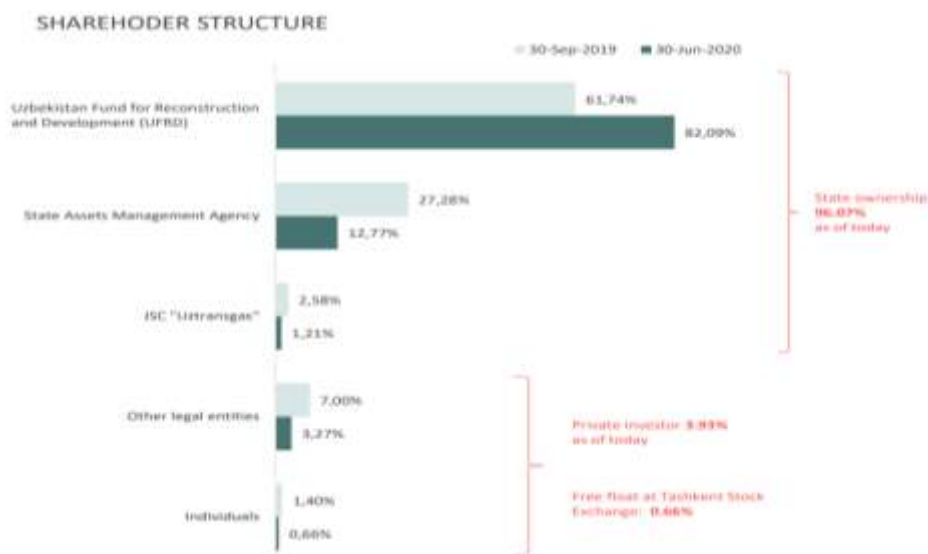


Fig. 2. STATE OWNED BANK WITH THE LONG HISTORY OF SUPPORT

Uzbekistan government historically demonstrated support via capital injections, state funding, state guarantees for exposure to state-owned enterprises (SOEs). In late 2019, SQB transferred 22 loans (“the Non-core loans”) to the UFRD. As a result of transaction: The Bank’s charter capital and Tier 1 capital increased by UZS 4 634 513 million (+ 113%). Tier 1 CAR increased by 7.8 percentage points (CAR Tier 1) on 1-Jan-2020 compared to 30-Sep-2019. State ownership increased to 96,07% from 91,6% on 31-Oct-2019.

Analyzing the dividend payments by Uzpromstroybank and “Ipoteka-Bank” JSCMB, we can say that the dividends for each ordinary share were paid much lower than for preference shares.

CONCLUSION

The following scientific conclusions can be drawn from the study of securities transactions in state-owned enterprises:

1. State-owned enterprises are enterprises in which there is a direct or indirect state share. In order to bridge the gap between the efficiency of private enterprises and state-owned enterprises, it is advisable to privatize the shares of enterprises directly and indirectly owned by the state. The analysis and development of performance indicators in state-owned enterprises is also important in the development of the stock market.

2. State ownership of enterprises may adversely affect the company's operations, as state-owned companies may be affected by the interests of the other party in addition to benefiting shareholders.

3. In developed countries (USA, Japan, etc.) there are very few state-owned companies and the practice of public offering of shares allows companies to operate independently. In developing countries such as China and Russia, many large state-owned enterprises are a risk to the economy because the state can put pressure on these companies to put the interests of the state above the interests of other shareholders.

4. The state may adversely affect certain aspects of the securities transactions of state-owned enterprises. In particular, the decision of the company (such as JSCB "Uzpromstroybank" and JSCB "Ipoteka-Bank" JSCMB) to pay dividends on shares, the organization of IPOs and SPOs, raising capital through corporate bonds and thereby expanding the business.

5. If we analyze the composition of the largest companies in the world, we can note that these companies also include companies with state participation. It is obvious that this issue is

very relevant in the world practice, so based on the experience of large companies in developed countries, we can increase the efficiency of operations related to securities operations in local enterprises.

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