
BUSINESS PROJECTS IMPORTANT ASPECTS OF SECURITY FINANCING

RAZZAKOV JASUR

Abstract

Keywords: equity financing, stock, bond, public offering of shares, financing of business projects.

In this scientific article, the important aspects of financing business projects through securities are studied, based on the analysis of the current situation, the stages of the practice of mass placement of shares, the indicators of the practice of IPO conducted by Uzautomotors JSC and the procedure of placement are analyzed. Relevant conclusions and suggestions were developed based on the conducted research.

Copyright © 2023 International Journals of Multidisciplinary Research Academy. All rights reserved

Author correspondence:

RAZZAKOV JASUR

Associate Professor of Tashkent Financial Institute, Ph.D Tashkent Institute of Finance, Tashkent, Uzbekistan

Email: razzoqov_jasur@tfi.uz

INTRODUCTION

In international practice, securities are widely used to attract capital to companies and finance their various projects. In the financing of business projects, capital is attracted through the practices of public placement of shares (IPO and SPO), the issuance of various bonds, as well as the issuance of other types of securities. This method of financing shows its convenience and positive aspects for companies. Therefore, the financing of business projects through securities is of great importance in national practice.

Due to the development of the stock market in developed countries, the practice of financing business projects through securities has become popular. It can be said that the practice of financing business projects through securities has not developed due to the lack of development of the stock market in Uzbekistan. The development of this practice has several positive aspects, in particular, an increase in the methods of capital attraction, a decrease in the cost of capital, an increase in the investment attractiveness of companies, the emergence of opportunities to attract cheap capital by attracting investors on a large scale, and the fact that these aspects are important for the national practice. therefore, it is important to study the current state of financing business projects through securities.

METHODOLOGY

It should be noted that a number of problems remain in financing business projects through securities in national practice. In particular, problems such as the high state share in joint-stock companies, their low investment attractiveness, and the non-availability of modern types of securities should be positively resolved. Therefore, it is necessary to develop effective mechanisms for financing business projects through securities .

The purpose of the study. The purpose of this study is to develop scientific conclusions and recommendations on issues related to the financing of business projects through securities.

LITERATURE REVIEW.

Many studies have been conducted on equity financing of business projects. X. Lu and others believe that “as one of the largest market capitalizations in the green financial markets, green bonds today have a large emission potential and are more popular than other forms of green financing. In particular, the increasing volume of issuance of green bonds indicates its increasing liquidity, so they attract the attention of many investors” [1]. This trend shows the growing practice of financing business projects through green bonds.

The role of Islamic securities in business project management has been researched by M. Abdullah et al. “Islamic securities have also been observed to provide good performance in financing business projects during the COVID-19 pandemic and the global financial crisis. Because Islamic securities operate in accordance with Islamic law or Shariah, Islamic securities are viewed as an alternative financial instrument for investors seeking to reduce the associated exposure to systemic risk and uncertainty” [2]. Therefore, the financing of business projects through Islamic securities is expanding today not only in countries where the majority of the population is Muslim, but also in Western countries where the majority of the population is not Muslim.

R. Tirimala and P. Tiwari paid special attention to the practice of blue financing and blue bonds, which have been expanding in international practice in recent years. “The observed trends in economic financing and investment are playing an important role in coastal and ocean-related projects through various blue financing instruments. Developing a range of scalable financing tools for sectors to transition to the blue economy and use the potential these sectors offer is one of the most pressing challenges countries are facing” [3]. Studying the possibilities of using these instruments in the financing of business projects and in various sectors of the economy is becoming important for most countries today.

The use of bonds in financing business projects was studied by Sh. Lee and others. “Insurance companies, pension funds and sovereign wealth funds try to make long-term investments in infrastructure projects to coordinate their long-term liabilities and diversify their portfolios. In this process, bonds are used as a debt financing instrument, and debt financial instruments are also widely used in the financing of PPP projects” [4]. It can be seen that the use of bonds in financing business projects is common in international practice.

U. Khakhanaev and others stated that “the formation of specialized investment funds of society in the form of joint-stock companies, in which all the capital of the investment project is formed by issuing shares” [5].

S. Elmiraev focused on the importance of public placement of shares in the financing of companies and described the organizational aspects of this practice in our country. “Public placement of shares provides high efficiency by attracting low-cost capital for businesses, and serves to diversify and increase income sources for investors and citizens. In the context of today's actively digitized economy, the practice of mass

placement of shares is becoming global. That is, IPO practices are being approached as a global practice. Today's technological development fully enables this" [6] . It should be noted that digitization of the country's economy also plays an important role in the development of the stock market.

N. Shavkatov and O. Gafurov studied the possibilities of financing through bonds, as well as Eurobonds. "Today, it is urgent to form a new stage in the development of public and private partnership relations by expanding the practice of financing the activities of economic entities, in particular by expanding the practice of financing through bonds and increasing the role of state Eurobonds in this process. In the current conditions of economic reforms, the importance of Eurobonds is increasing. Also, the fact that Eurobonds are currently being placed and put into circulation in developing countries and our country is a proof of our opinion" [7].

S. Omonov focused on the effective organization of public placement of shares instead of listing requirements. "For stock listing, the government may decide to select companies with effective state-owned shares and thereby achieve a large amount of investment funds in the stock market to be directed to effective companies" [8]. Today, based on the observation of national and international practices, it can be said that these methods are used in a hybrid form in public placement of shares.

ANALYSIS AND RESULTS.

In this article, methods such as scientific abstraction, comparison, induction, analysis, synthesis, and statistical analysis were used to analyze the practice of financing business projects through securities.

In international practice, it can be observed that the public placement of shares, in particular, the IPO practice, consists of a number of stages (Table 1). Based on the information in Table 1, it should be noted that in the practice of initial public placement of shares, special attention should be paid to each of the above-mentioned stages. Otherwise, this operation may fail. Unfortunately, in recent years, these requirements have not been paid enough attention to the practices of public placement of shares organized by joint-stock companies in our country.

Table 1**Stages of the IPO Process [9]**

No	IPO stages	Important aspects of the stages
1.	Selecting an underwriter	When choosing institutional investors as underwriters, the following points should be considered : <ul style="list-style-type: none"> - reputation (reputation); - research degree; - experience; - offers the issued securities (institutional investors or individual investors); - whether or not there is a mutual relationship with this institutional investor.
2.	Expertise and normative documents (due diligence and regulatory filings)	Following underwriting agreements available : <ul style="list-style-type: none"> - shares complete placement mean holder agreement (Firm Commitment); - stocks demand level placement mean holder agreement (Best Effort Agreement); - offer wishing all shares if not posted offervoid to do mean holder agreement (All or None Agreement); - Underwriters syndicate (Syndicate of Underwriters).
3.	Pricing	The following factors affect the bid price: <ul style="list-style-type: none"> - Track the success of roadshows ; - the purpose of the company; - state of the market economy.
4.	Balancing	In this case, the underwriter can increase the amount of capital raised by influencing the price based on market demand.
5.	Transition to market competition	This refers to the period after the IPO, when the underwriter calculates the amount of capital raised and estimates the company's post-IPO value.

The practice of financing business projects through the issue of securities is not satisfactory in our country. Although several IPOs have been conducted in recent years, these operations have not been successful (Figure 1).

If we pay attention to the indicators of the initial public offering (IPO) operation of shares organized by Uzavtomotors JSC, a total of 2.7 million shares with a nominal value of 5 thousand soums will be issued. ordinary shares were issued and a total of 13.5 bln. shares worth soums were issued.

The term and procedure of the initial public offering (IPO) of shares organized by Uzavtomotors JSC is as follows (Fig. 2). The shares in this issue are scheduled to be placed within 30 working days from the date of registration by the state body authorized to regulate the securities market. It is indicated that it is necessary to start the placement of shares on the 15th (fifteenth) day after the information about the state registration of the

decision to issue additional shares by the competent state body for the regulation of the stock market.

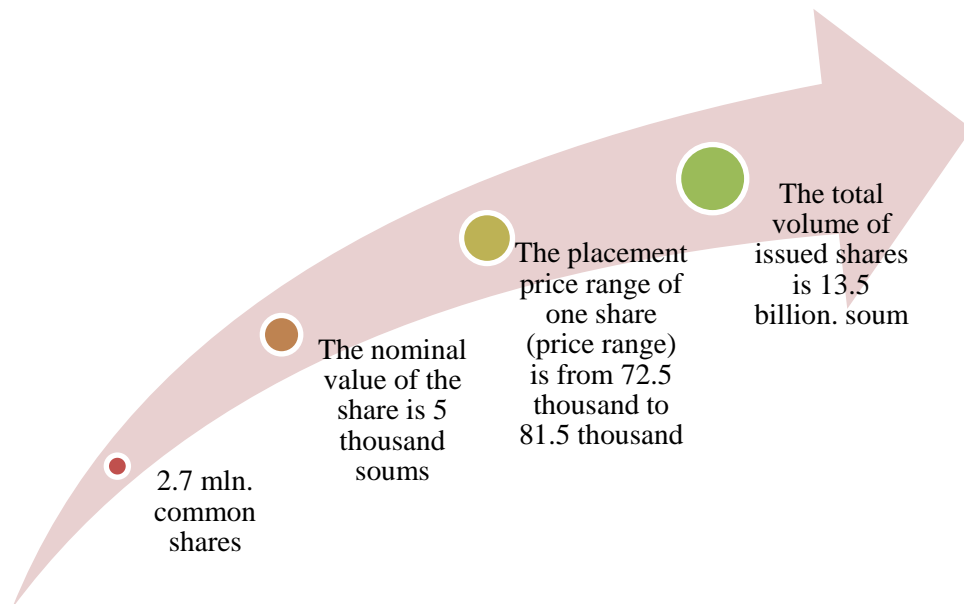


Figure 1. General information about the initial public offering of shares (IPO) operation organized by Uzautomotors JSC [10]

If the start date of the placement of shares falls on a holiday or weekend, the start date of the placement of shares is noted to be transferred to the next first business day. The end of the share placement is set to be the same as the date of the last share placement. However, the authorized state body for the regulation of the securities market also noted that shares in this issue do not exceed 30 working days from the date of state registration.

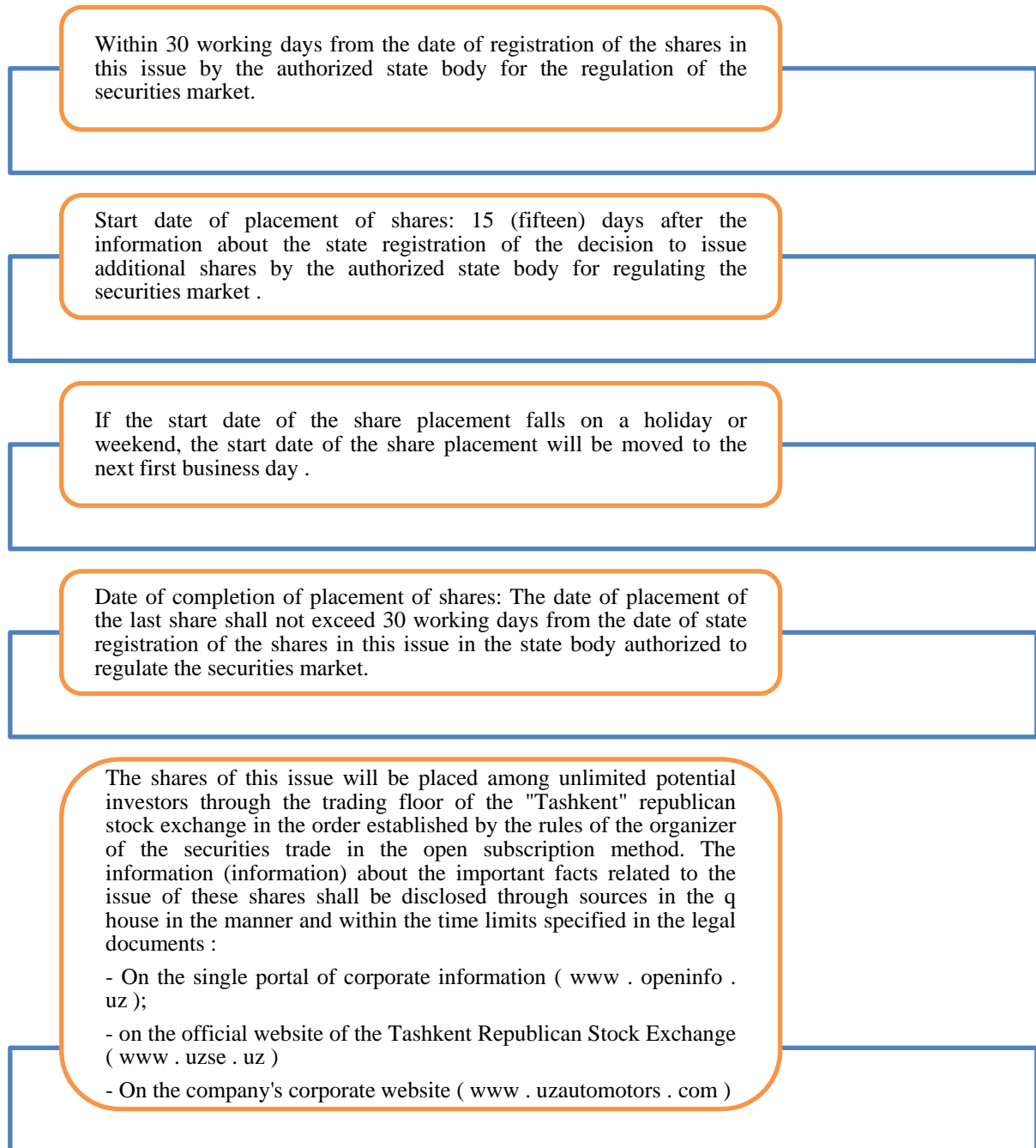


Figure 2. Term and order of placement of shares in the initial public offering (IPO) operation of shares organized by Uzavtomotors JSC [10]

Shares in this issue are placed among unlimited potential investors through the trading floor of the "Tashkent" republican stock exchange in the order established by the rules of the securities trading organizer by open subscription method. Information (information) about the important facts related to the issue of these shares can be found in the following sources, in particular, on the corporate information portal (www.openinfo.uz), on the official website of the Tashkent Stock Exchange (www.uzse.uz) in accordance with the procedures and deadlines established by law., disclosed on the company's corporate website (www.uzautomotors.com) .

CONCLUSION

Based on the analysis of the practice of financing business projects through securities, the following conclusions and proposals were formed.

First, stocks and bonds are used to finance business projects through securities in our country. However, in order to effectively organize the financing of business projects through securities, it is necessary to increase the types of modern securities.

Secondly, it is necessary to properly organize the stages of the public placement of shares. Also, when organizing roadshows for potential investors, it is necessary to take into account the level of taxation in the country where the potential investors are operating.

Thirdly, to increase the efficiency of IPO operations, it is necessary to set the price range of shares correctly. In this process, it is important to determine the market value of shares.

REFERENCES

1. Hongfa Lu, Nan Huang, Jianlei Mo, Zhitao Ye. Dynamics of the return and volatility connectedness among green finance markets during the COVID-19 pandemic. // *Energy Economics*, Volume 125, September 2023 . <https://www.sciencedirect.com/science/article/abs/pii/S0140988323003584>
2. Mohammad Abdullah, Mohammad Ashrafur Ferdous Chowdhury, Zunaidah Sulong. Asymmetric efficiency and connectedness among green stocks, halal tourism stocks, cryptocurrencies, and commodities: Portfolio hedging implications. // *Resources Policy* , Volume 81, March 2023 . <https://www.sciencedirect.com/science/article/abs/pii/S0301420723001277>
3. Raghu Dharmapuri Tirumala, Piyush Tiwari. Innovative financing mechanism for blue economy projects. // *Marine Policy*, Volume 139, May 2022 . <https://www.sciencedirect.com/science/article/abs/pii/S0308597X20303262>
4. Shuai Li, Dulcy Abraham, Hubo Cai. Infrastructure financing with project bond and credit default swap under public-private partnerships. // *International Journal of Project Management*, Volume 35, Issue 3, April 2017, Pages 406-419. <https://www.sciencedirect.com/science/article/abs/pii/S026378631730056X>
5. Khakhanaev US, Bashirzade RR, Pakhomova AV Formation of an Effective System of Project Financing of Investment Activities in the Region. // *Advances in Economics, Business and Management Research*, volume 15, 2020.
6. Elmirzaev, S. . (2023). HOW SHOULD A POPULAR IPO BE ORGANIZED AND CONDUCTED? Prioritetnye napravleniya, sovremennye tendentsii i perspektivy razvitiya finansovogo rynka, 116–121. izvlecheno ot [https:// inlibrary . en / index . php / financial - market - growth / article / view /19043](https://inlibrary.en/index.php/financial-market-growth/article/view/19043)
7. Shavkatov Navruzbek Shavkatovich, Gafurov Olimjon Golib Ogli Placement of public Eurobonds of Uzbekistan in world financial markets and their importance // *Ekonomika i finansy (Uzbekistan)*. 2019. No. 11. URL: <https://cyberleninka.ru/article/n/publication-of-the-world-financial-markets-of-the-state-of-eurobonds-of-uzbekistan-and-their-interest> (data obrashcheniya: 30.07.2023).
8. Omonov Sardor Olmasovich FOREIGN EXPERIENCE OF REGULATING THE ACTIVITY OF INSTITUTIONAL INVESTORS IN THE CAPITAL MARKET // *Ekonomika i finansy (Uzbekistan)*. 2021. #8 (144). URL: <https://cyberleninka.ru/article/n/kapital-bozorida-institutsional-investorlar-faoliyatini-tartibga-solishen-horizh-tazhribasi> (data obrashcheniya: 30.07.2023).
9. Kurbanov Javlonbek Jo'rabekovich, Omonov Sardor Olmasovich, Nuralieva Dildora Nurali Kyzi ANALYSIS OF INTERNATIONAL IPO PRACTICES:

ORGANIZATIONAL CHARACTERISTICS AND PARTICIPATION OF INSTITUTIONAL INVESTORS // *Ekonomika i finansy (Uzbekistan)*. 2021. No. 1 (137). URL: <https://cyberleninka.ru/article/n/hal-aro-ipo-amaliyotlari-ta-lili-tashkiliy-husyusiatlari-va-institutsional-investorlar-ishtiroki> (data obrashcheniya: 30.07.2023).

10. https://uzautomotors.com/documents/prospectus/prospekt_e.pdf - created by the author based on the information from the Uzavtomotors JSC website