
CAPITAL MARKET IN UZBEKISTAN: CURRENT STATE AND ISSUES

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Abstract

Keywords: *stock, securities, issue, common stocks, stock price, joint-stock companies.*

This article studies the essence and significance of capital markets and its features according to the different scientists. It analyzes the real state and operations of capital market in Uzbekistan. Moreover, there are learnt the number of joint-stock companies, the amount of issued stocks and others in Uzbekistan. Conclusions and proposals are given on the basis of the researches.

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Introduction

In global practice, governments are paying attention to attracting financial resources from the national and international capital market to the corporate sector of the economy, ensuring the continuity of production and service processes, maintaining the financial stability of joint-stock companies, ensuring the employment of the population, introducing new financial instruments into practice. These are considered the most urgent issues, especially in the context of the global pandemic.

Based on the current state of the capital market and the level of provision of financial resources, joint-stock companies regulate decision-making process on the attraction of financial resources. The significance of the determined characteristics based on the average interest rates of the resources directed to the corporate sector and determining the limited debt funds of joint-stock companies can be differentiated depending on the nature of the development of the national economy. The amount of resources attracted from the capital market and the practice of attracting investors are inextricably linked with specific segments of the capital market and their specific characteristics. That is why it is important to study the directions of optimal management of the capital market in Uzbekistan, to use the advanced foreign experience in this field, to analyze the real situation and to make scientific proposals and practical recommendations for solving problems.

Literature review

“In Western economic literature, financial markets are presented as a set of market institutions that direct the flow of funds from savers to borrowers” [1]. Frederic Mishkin says “Financial markets are markets that serve to transfer money from people with excess funds to those who do not have enough funds” [2]. Based on the given definitions, it can be noted that the financial market is a market where temporary free funds are redistributed through financial intermediaries based on the use of financial instruments.

The capital market is a market where long-term capital and debt obligations are collected and circulated [3]. “The capital market is an organized stock exchange that trades securities for a period of more than one year” [4]. “Capital market plays a significant role in an economy that allows investor’s fund to center point potential opportunity such as saving funds are mobilize and channeled efficiently to users” [5].

“There is no clear or comprehensive definition to fully explain the nature of the capital market, including working capital and fixed capital from a microeconomic point of view, considered as a component of the capital market, and from a macroeconomic point of view, the market of real assets (real estate market, production means, etc.) and the financial market, which includes the stock market, stock market, credit market, currency market as a whole” [6].

“Although the role of the capital market is large in developed countries, it should be noted that the importance of the capital market is growing in developing countries as well. Institutional investors play an important role in capital market development in many developed and developing countries, and institutional investors are seen as a source of financing for the corporate sector. Therefore, studying the foreign experience of regulating the activities of institutional investors in the capital market becomes relevant” [7].

Research methodologies

This article uses methods such as comparison, analysis, synthesis, and scientific abstraction in the analysis of the capital market in Uzbekistan.

Analysis and Results

It is well known that the capital market is a collection of idle funds, their transformation into capital through the existing infrastructure, and then distribution relations among the participants of the production or service processes (banks, enterprises, firms, as well as the population of the country), securities, including shares. and conducts transactions with bonds. The difficulty of clarifying the essence of the concept of "capital market" is that its infrastructure is closely related to the money market, which is considered a part of the financial market, and financial instruments are the same for the capital market and the money market. Participants of the stock market include issuers, investors, investment institutions, as well as their associations, stock exchanges, state-represented stock market control agencies. All participants of the stock market can be divided into

professional, non-professional and state regulatory and control agencies.

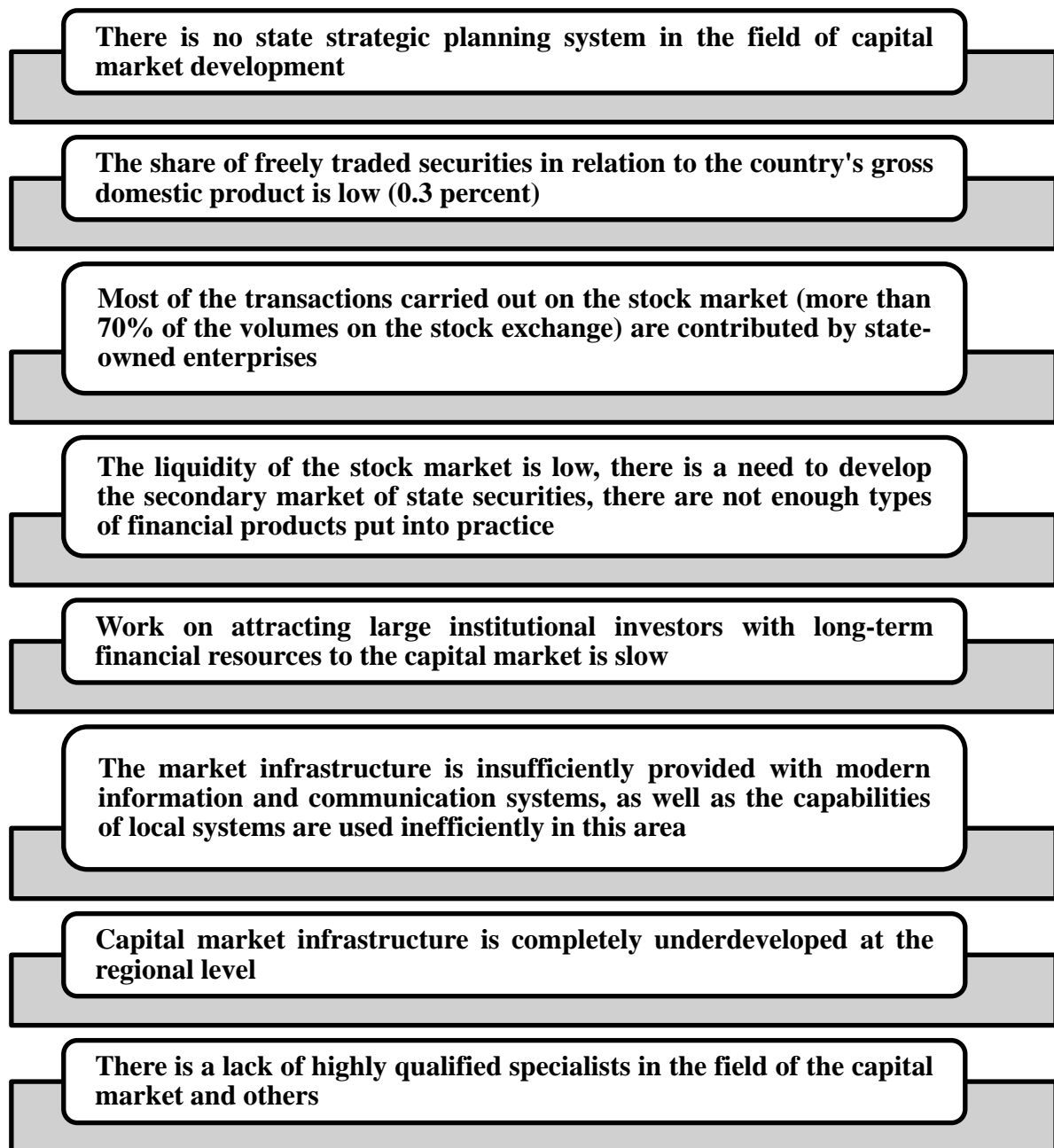


Figure 1. Issues of the capital market of Uzbekistanⁱ

If we pay attention to the capital market of Uzbekistan, we can see that there are several crucial issues which are related to the further development of the capital market, the formation of a competitive environment, and the promotion of increasing the liquidity of the stock market (Figure 1).

ⁱ<https://mf.uz/activity/markaziy-apparat/kapital-bozorini-rivojlantirish> - information of the website of the Ministry of Finance of the Republic of Uzbekistan

Table 1

The number of joint-stock companies in the region, the number and value of shares issued by themⁱⁱ

| № | Regions | The number of JSC | The amount of issued stocks (mln. soum) | The number of issued stocks |
|--------------|--------------------------------|-------------------|---|-----------------------------|
| 1. | Tashkent city | 253 | 146 359 974,01 | 9 456 083,72 |
| 2. | Tashkent region | 49 | 7 013 383,48 | 151 891,01 |
| 3. | Kashkadarya region | 42 | 2 777 986,47 | 2 303 097,32 |
| 4. | Navai region | 17 | 2 370 193,66 | 16 664,38 |
| 5. | Andijan region | 35 | 1 921 066,82 | 1 365 846,77 |
| 6. | Fergana region | 45 | 1 373 104,16 | 7 843,24 |
| 7. | Jizzakh region | 17 | 481 676,92 | 532,51 |
| 8. | Samarkand region | 28 | 365 810,95 | 336,58 |
| 9. | Khorezm region | 29 | 309 668,21 | 1 603,21 |
| 10. | Namangan region | 22 | 300 371,25 | 255,24 |
| 11. | Syrdarya region | 16 | 284 456,82 | 267,96 |
| 12. | Surkhandarya region | 21 | 241 592,47 | 258,52 |
| 13. | Bukhara region | 35 | 205 674,89 | 252,19 |
| 14. | The Republic of Karakalpakstan | 20 | 187 942,59 | 605,66 |
| Total | | 629 | 164 192 902,7 | 13 305 538,3 |

As of July 1, 2022, companies have issued shares in the amount of 164.2 trillion soums, and the average nominal value of one share of each company is 1755.29 soums. The number of shares issued by issuers is 13.3 trillion (Table 1).

If we pay attention to Figure 2, there is given the number of joint stock companies operating in Uzbekistan in the first half of 2022 by month. In June of 2022, the number of joint-stock companies is 629 and this indicator have increased from the beginning of the period.

ⁱⁱhttps://mf.uz/media/budget_files/Final_%D0%9A%D0%B0%D0%BF%D0%B8%D1%82%D0%B0%D0%BB_%D0%B1%D0%BE%D0%B7%D0%BE%D1%80%D0%B8_%D1%81%D1%82%D0%B0%D1%82%D0%B8%D1%81%D1%82%D0%B8%D0%BA%D0%B0_1_%D1%8F%D1%80%D0%B8%D0%BC_%D0%B9%D0%B8%D0%BB%D0%BB%D0%B8%D0%BA_2022_3.pdf - information of the website of the Ministry of Finance of the Republic of Uzbekistan

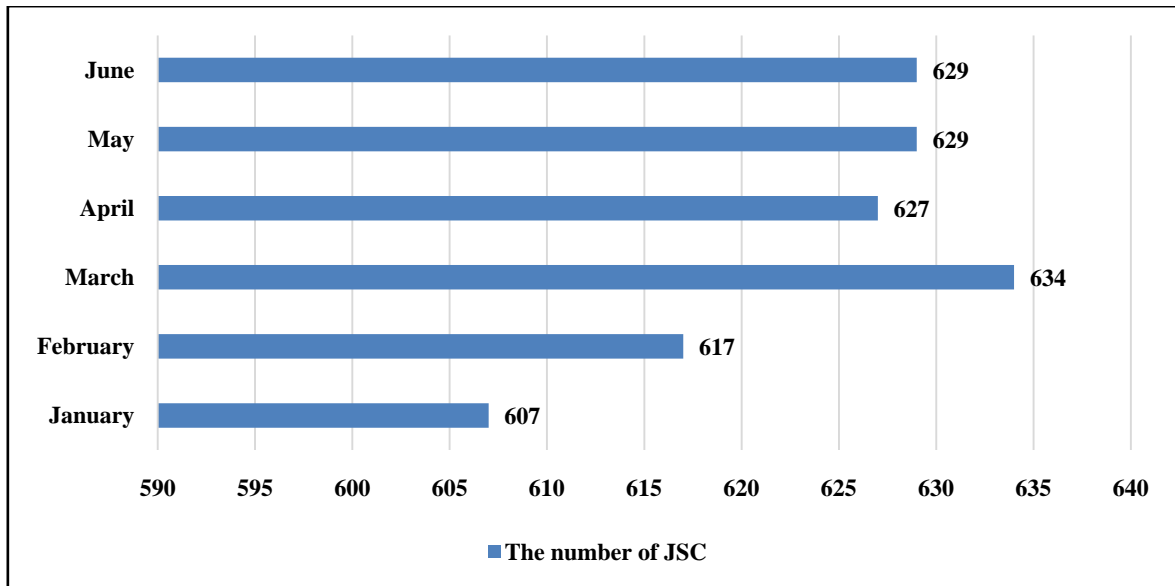


Figure 2. The number of joint stock companies operating in Uzbekistan in the first half of 2022 (by month)ⁱⁱⁱ

In the first half of 2022, there was a period of quantitatively significant changes in capital market indicators. This is evidenced by the increase in the turnover of securities, the acceleration of the conclusion of transactions, and the improvement of legislative and coordination work. In the first half of 2022, the total volume of trade in the stock market of Uzbekistan is 12645.8 billion soums and 73% of the volume of transactions corresponded to the unorganized market of securities. The total market turnover by the number of transactions reached 46293 and 351.5 billion soums^{iv}.

Table 2 analyzes the shares issued by investment funds in Uzbekistan, the volume of shares, the nominal value and the number of shares. The investment funds are located in Tashkent, Andijan, Fergana, Kashkadarya and Bukhara regions. The highest share in the volume of issued shares belongs to JSC "Baraka" (670.99 million soums), the lowest - to JSC "Mirzo Ulugbek" (50 million soums). If we pay attention to the nominal value of shares, the shares with the lowest nominal value are JSC "Baraka", JSC "DonolikvaKelajak", JSC "Semurg", JSC "Oltin Invest", JSC "OLIM-F", "Dustlik" PIF JSC (100 soums). The shares with the highest nominal value are shares of Kamalak IF JSC for 2,700 soums. It should be noted that the highest number of shares was recorded by JSC "Baraka"^v.

ⁱⁱⁱThe Ministry of Finance of the Republic of Uzbekistan, the Capital market development department. // Directory of the Republic of Uzbekistan Capital Market and State Securities Market for the first half of 2022

^{iv}The Ministry of Finance of the Republic of Uzbekistan, the Capital market development department. // Directory of the Republic of Uzbekistan Capital Market and State Securities Market for the first half of 2022

^vOmonovSardorUlmasovich. REAL STATE OF INVESTMENT FUNDS AS INSTITUTIONAL INVESTORS IN UZBEKISTAN. // International Research Journal of Management and Commerce ISSN: (2348-9766) Impact Factor 7.001 Volume 9, Issue 04 April 2022. – p.43

Table 2

Analysis of shares issued by investment funds in Uzbekistan (as of 1.10.2021)^{vi}

| No | Investment funds | Location | Volume of issued shares (mln. soums) | Nominal value of shares (soums) |
|----|---------------------------|---------------|--------------------------------------|---------------------------------|
| 1. | “Kamalak” IF JSC | Andijan | 618,36 | 2 700,00 |
| 2. | “Baraka” IF JSC | Fergana | 670,99 | 100,00 |
| 3. | “Daromad Plus” IF JSC | Tashkent city | 631,90 | 500,00 |
| 4. | “DonolikvaKelajak” IF JSC | Tashkent city | 55,75 | 100,00 |
| 5. | “Semurg” IF JSC | Kashkadarya | 75,60 | 100,00 |
| 6. | “Oltin Invest” IF JSC | Tashkent city | 53,53 | 100,00 |
| 7. | “MirzoUlug’bek” IF JSC | Tashkent city | 50,00 | 625,00 |
| 8. | “OLIM-F” PIF JSC | Tashkent city | 109,01 | 100,00 |
| 9. | “Dustlik” PIF JSC | Bukhara | 59,00 | 100,00 |

There are several aspects and functions which can influence the capital market in the following. “First, the stock market acts as a coordinator of investment flows, ensuring the optimal structure of resource use for society. It is through the stock market that the bulk of capital inflows take place in industries with a higher rate of return on capital investment. The stock price in the secondary market, which fluctuates based on supply and demand in the market (of course, investors try to get rid of low-yielding securities by directing their funds to more profitable projects), which is important for production. determines the price of the primary market. Businesses will be able to get the capital they need to grow only in the primary market. In developed markets, the success or failure of a start-up depends on the attitude to its securities, that is, the rate of acquisition. Second, the stock market provides for the mass nature of the investment process. That is, it allows a volunteer economic agent with free cash to invest in production by purchasing securities. The concentration of securities turnover between stock exchanges and professional intermediaries allows the investor to facilitate the investment process. Third, the stock market quickly reflects changes in the social, political, foreign economic and other spheres of society. In this regard, the general state of the stock market is a key indicator when considering the economic situation in the country as a whole. A narrow analysis of the situation in the stock market can be used to assess the performance of a particular region, industry and a particular enterprise. Fourth, securities demonstrate the democratic principles of micro-economy management. For example, when a stockholder makes a decision by voting, that is, when one vote corresponds to one stock, the stockholder who has more stocks is more likely to make decisions immediately (expeditiously). Fifth, the state implements its structural policy by purchasing stocks in individual enterprises. It buys the stocks of strategic enterprises and thus invests in production that is important for the development of society. Sixth, the stock market is an important tool of public fiscal policy.

^{vi}OmonovSardorUlmasovich. REAL STATE OF INVESTMENT FUNDS AS INSTITUTIONAL INVESTORS IN UZBEKISTAN. // International Research Journal of Management and Commerce ISSN: (2348-9766) Impact Factor 7.001 Volume 9, Issue 04 April 2022. – p.43

The main tool for this function is the government securities market. The government, through the stock market, influences the money supply and the growth or decline of GDP^{vii}.

According to the above-mentioned analysis, it can be noted that the capital market of Uzbekistan should be regulated effectively by the government. Moreover, the participants of the capital market should have the opportunities to invest effectively.

Conclusions

In the process of attracting financial resources from the capital market, the company solves two interrelated tasks: firstly, providing the necessary financial resources to the expanded and current production process; secondly, optimizing the composition and value of the company's capital under economically favorable conditions, taking into account internal and external factors. The criteria for finding the right solution to these problems are to improve the financial position of the company and its capital structure, to implement investment programs and to increase its value. In general, it is necessary to implement the following in the development of the capital market:

- formation of a comprehensive strategy for the development of the capital market and implementation of a unified state policy in this area;
- assistance in the formation of an effective infrastructure of the capital market;
- rapid development of the secondary securities market and expansion of its scope, improvement of the corporate management system;
- development of international relations in the field of corporate governance and capital market regulation.

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