

**A.Odilov – PhD student of Tashkent Institute of Finance**

## **PROSPECTS FOR THE DEVELOPMENT OF THE CAPITAL MARKET IN UZBEKISTAN**

This article aims to summarize the characteristics of attracting investments on the capital markets of Uzbekistan, thus stressing the actions of issuers and initial public practice. It also offers an overview of the research process, the attitude of current as well as potential investors towards the present and prospective possibilities in Uzbekistan's IPO stock exchange. This article provides an overview of the internal and external factors, namely economic, legal and conditions, which could enhance the appeal of Uzbekistan's capital market.

**Keywords:** capital, capital market, initial public offering, stock exchange, listing requirements.

## **O‘ZBEKISTON KAPITAL BOZORINI RIVOJLANTIRISH ISTIQBOLLARI**

Ushbu maqola emitentlarning harakatlari va boshlang'ich amaliyotiga urg‘u berib, O‘zbekistonning kapital bozoriga investitsiyalarni jalb qilish xususiyatlarini umumlashtirishdan iborat. Shuningdek, tadqiqot jarayoni hozirgi va potensial investorlarning O‘zbekiston birjasidagi IPO tizimi istiqbolli imkoniyatlari haqida ma’lumot beradi. Ushbu maqolada ichki va tashqi omillar, xususan, O‘zbekistonning kapital bozori jozibadorligini oshirishi mumkin bo‘lgan iqtisodiy, huquqiy shart-sharoitlar haqida ham ma’lumot berib o‘tilgan.

**Tayanch so‘z va iboralar:** capital, kapital bozori, IPO, birja, listing talablari.

## **ПЕРСПЕКТИВЫ РАЗВИТИЯ РЫНКА КАПИТАЛА В УЗБЕКИСТАНЕ**

Целью данной статьи является обобщение характеристик привлечения инвестиций на рынках капитала Узбекистана, тем самым подчеркивая действия эмитентов и первоначальную публичную практику. Также предлагается обзор процесса исследования, отношения нынешних и потенциальных инвесторов к настоящим и перспективным возможностям на фондовой бирже и системы IPO в Узбекистане. В этой статье показан обзор внутренних и внешних факторов, а именно экономических, правовых условий, которые могут повысить привлекательность рынка капитала Узбекистана.

**Ключевые слова:** капитал, рынок капитала, первичное публичное размещение акций, фондовая биржа, листинговые требования.

### **Introduction**

Capital market effectiveness is an important factor in determining a country's economic development by allotting surplus capital to match the highest requirements. The capital market performs three main functions in the financial system, which the challenges and effectiveness of the capital market include several factors, such as legal requirements, tax climate, investor behaviour, the country's economic condition,

market liquidity and depth, information availability and transparency, market participants' education and knowledge, the impact of globalization, as well as competitiveness is to mobilize liquidity, to reduce the disparity between the borrowers, and the borrower, and to provide risk management tools. The productivity of the capital market is an important factor in determining a country's economic development by allocating surpluses of resources to the largest needs. The profitability of the country's capital market will increase considerably by improving the environment and its productivity and improving conditions for market participants to attract investments, due to a reduction in the costs and the added value generated by investments remaining within the country.

### **Literature review**

In the work of leading international and national scientists, the issues of enhancing the operational practices of the financial market are examined. U.Khalikov investigated theoretical concepts and factors for increasing investment through the stock market, supporting and stimulating it through various financial instruments, increasing its role in manufacturing and employment, and promoting economic growth through the stock market[4].

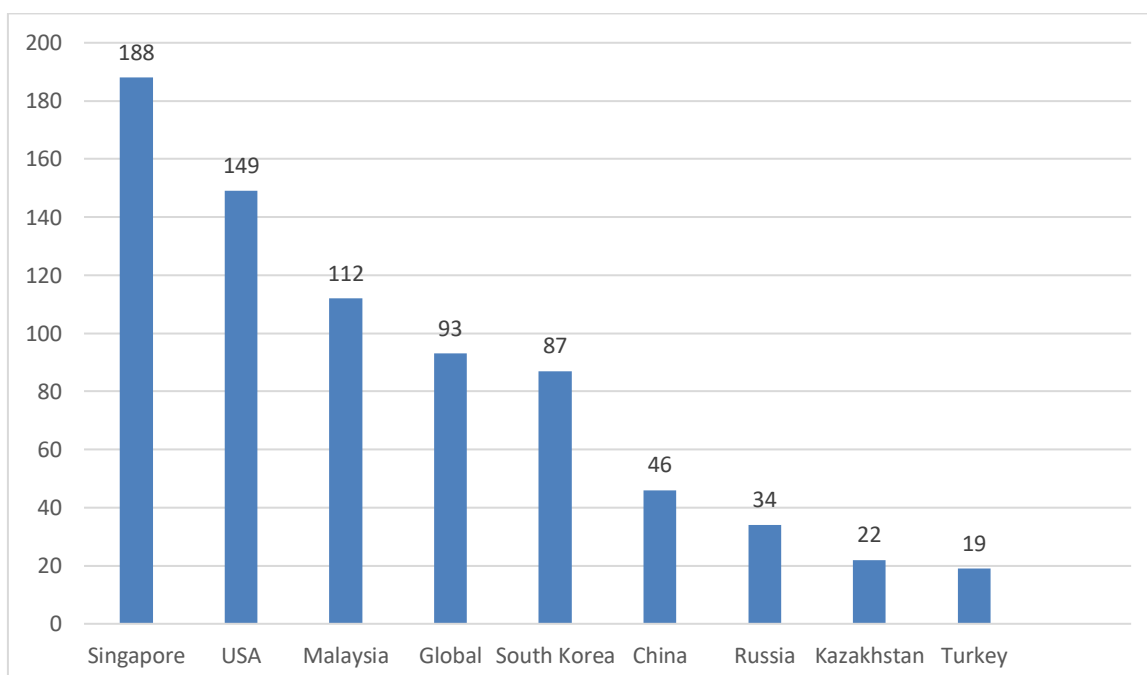
Seong I. J., & Jeong E. K., create a review of the bonds of foreign countries, including securities issues and thus the role that banks play in forming national bond markets, in authors' writings [5]. In their job, Shultheis. P. J., Day. R. G., Jewis, J. R., Linqvist, S. J., & O'Connor, R.G carried out a thorough study of the theoretical and practical basis of the growth of the securities market and presented the preconditions research and activities on the stock market. The rapid capital market expansion opens up huge opportunities for firms to raise money[6]. The selection of the structure of the funding sources is one of the most important areas of the financial management of a business. In terms of the efficiency with which debt capital is used, the growth of a business is determined by its capital expenditure. If a company issues shares during a public initial offer (IPO) (Bayar, O., & Chemmanur, T. J. (2011)), capital flows are attracted [7]. It can be used more effectively to encourage new investment in emerging economies, where the valuation of mortgaged properties is low and the return on investment uncertain. Business listing decisions are affected by competition between stock exchanges to attract shares, particularly with emerging markets. This competition shows itself mostly in the relationship between tax and listing requirements, aiming for the greater long-term profit. The conduct of an undertaking when choosing a bond is controlled by some factors that can aid in systematizing the outcome and perform quality analysis on the listing procedure of Uzbek companies in several studies published in the scientific literature.

An undertaking should take into account the following factors (Mudambi, R., Mudambi, S. M., Khurshed, A., & Goergen): I) a collection of a bond country (house or foreign), II) the listing criteria on an exchange of stocks, III) the prospective benefit for an undertaking, iv) the prestige of the exchange being considered [8].

## Analysis and results

The vision of a listed company and the relations between an enterprise and the stock market may well be used as a criterion for assessing the capacity of the stock market to draw in and maintain cooperation with the firm. The goal of every stock market is to draw in as many companies for listing as possible. The goal of each security market is to draw in as many companies as possible for the listing. Therefore, securities markets should consider the subsequent factors: i) attaching the reputation of the stock exchange to the listing standards and their influence within the companies choice making decision; ii) the competitiveness of the stock exchange; iii) the most effective surveillance structure of the securities market; iv) the flexibility of the stock exchange to attract foreign companies. The relations between a corporation and a securities market will be analyzed from the perspective of expectations: both the corporate and the securities market expect to profit.

The fundamental shifts in the investment behavior of businesses in search of new opportunities under the terms of globalization. The preliminary results of scientific literature studies indicate a significant increase in the number of businesses that plan to list their international stock exchange securities. Many European firms, for instance, list their stock within the big stock exchange like NYSE. The portfolio is listed in numerous stock exchanges in Europe, Asia and also the including firms from emerging market countries or economies, like Uzbekistan Since early as before the beginning of the financial crisis, analysts have noted that issuers' conduct is influenced by a variety of things, the determination of which is extremely complicated thanks to differences within the attitude of issuers towards stock market credibility, listing costs, regulations, and different criteria. Future investors are cautious and look at the research of the benefits and downsides of stock exchanges thoroughly before deciding to take a position.



**Figure 1. Stock Market Capitalization Ratio to GDP (Percentage)**  
([www.world-exchanges.org](http://www.world-exchanges.org), 2019)

The financial crisis of 2008 distorted the investment laws discovered earlier by the scientists, altering the traditional logics of issuers and investors: listing in foreign exchanges remains one in each of the key factors influencing globalization within the world economy. Uzbekistan and other emerging markets, for instance, offer more opportunities to draw in issuers in their respective countries to the financial centres. Investment banks' geographies are changing significantly, such as after many defaults, most U.S. banks control interests have passed into Asian investors' pockets. China's growing economy is supported by its openness for foreign investors and issuers to grow its financial market. This greatly affects the foreign capital global market, and therefore, the financial centres' geography. Increases the uncertainty regarding the IPO industry's prospects with the reorganization of investment banks following the financial crisis. Especially evident in recent years is that the trend of economic market globalization that demands an integrated universal legal basis to control the equity sector[9]. The alignment of current regulatory approaches to the capital market should be focused on an intensive analysis of various economic structures and the activities of issuers on financial markets. Therefore, the peculiarities of investment attraction to the capital markets require a more nuanced description within the context of globalization and the interests of individual countries. Many factors depend on the performance and operations of capital markets. These are legal, fiscal, and economic environments, knowledge availability and reliability, market participant behaviour and knowledge, competitiveness with other markets, market depth and liquidity, globalization, and many more. To measure the current situation and to identify problems, various factors should be analyzed, the knowledge of scientific studies already completed should be constantly analyzed, market participants assessed their opinion, the models successfully implemented, analyzed and their application assessed, adapted and analyzed on request. An analysis of statistical data associated with investments within the capital market and a survey of experts was undertaken using the great interviewing approach during a review of the present situation in Uzbekistan capital markets. The survey was attended by members of current and prospective issuers, financial exchange workers, and potential stock buyers and necessitated an appraisal by finding listings within the Tashkent Stock Exchange of the strong and weak parties of the Uzbekistan firms IPO and an initial public offering. The results of the study indicate that Uzbekistan did not develop an equity market, though bank loans are the most effective means of financing businesses and economies. In the form of initial or secondary stocks, an investment can be attracted to a stock market with the existing capital markets companies. The international partnership and developing countries have an equity-to-GDP ratio of 71,8%. Yet Uzbekistan still lags behind most of the other emerging countries, where capital markets have almost simultaneously developed. The experts who took part in Uzbekistan's survey emphasized the necessity to pay attention to the

investment structure of the pension fund. On the thought of the figures on the Uzbekistan Bank, these funds' capital investments in inventories and mutual investment companies were 34% of their value before 2016. Direct investments in stocks were but 1%, therefore the collective investment firms made the big investments. The pension fund's total assets are spread to over 100 countries around the world. Uzbekistan has only about 0,1 per cent of the worth of the whole portfolio of pension funds, reflecting direct and indirect investments within the stock of Uzbekistan's firms.

A model should be found to support Uzbekistan's capital market investment within the bulk of the pension fund and to extend liquidity and shallowness and increase its turnover ratios. Experts also found that in an exceedingly country with foreign bank domination such voluntary redirection of capital could not be so easily possible. Because in Central Asia, Nursultan, rather than Tashkent, takes most of the selections on pillar pension fund investments, and banks, additionally, are not involved in specific investment plans for various countries. The study revealed that liquidity within the stocks of Uzbekistan companies is that the major problem of the Uzbekistan capital market. If more shares of the inspiration were to be sold, stock prices would fluctuate enormously, threatening policymakers and the participants of the inspiration. The lack to privatize new companies could be a vicious circle whereby no investment is made and no means is reversed if the requirement arises and the price changes are immense. This article's author noticed that while Uzbekistan's capital market is analyzed in relevance to other capital markets, certain market selection criteria should be established so on a permit for an adequate comparison of markets. Comparisons should be made between the variations between regulations, the economic situation and the environment, the scope of the market and liquidity, the dissemination of information and openness, the conduct and education of market participants and the implications of globalization.

### **Conclusions and proposals**

To order to supply results for an actual model of investment attraction on the capital market, this effective model should be analyzed and evaluated and therefore the possibilities for applying them on the local market considered. Considering the analysis of this situation within the capital markets of Uzbekistan, and having evaluated the benefits and disadvantages of external markets, we will conclude that the requirement for a perfect investment attraction model within the capital market of Uzbekistan, which may well be used for both Uzbekistan and abroad, is high.

The performance and operation of the capital markets are decided by many factors. Among many others, are the legal, economic and financial climate, information accessibility and reliability, market players' actions and expertise, competition from other markets, the profundity of the business and liquidity and globalization.

· Survey of peculiarities of the emerging countries' international lists shows a propensity to reflect sectors like raw materials, infrastructure, commodity and services for the foremost prominent companies that are listed on the NY exchange.

The analysis highlighted the most issue of the capital market in Uzbekistan, namely the stock liquidity of Uzbekistan companies by Uzbekistan pension funds' investment structure. However, banking loans should also exist in Uzbekistan because of the principal financing instrument, like venture capital, corporate bonds and the stock markets, which might contribute to the steady economic process.

It is important to involve businesses and government, further as educating participants, to attain better efficiency of the capital market because the common practice of financing companies and projects utilizing bank loans is not only habitual but may also be lack of data.

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