



## Ways of Fund Market Development in Uzbekistan

**Sherali Sultonov Nuraliyevich**

PhD, Associate Professor of the Department of Finance Tashkent Institute of Finance, Uzbekistan. E-mail: [sheralisultonov1978@gmail.com](mailto:sheralisultonov1978@gmail.com)

**Nodira Soatova Bobokhanovna**

PhD, Associate Professor of the Department of Finance-Credit, Tashkent Institute of Finance, Uzbekistan. E-mail: [nodirasoatova1979@gmail.com](mailto:nodirasoatova1979@gmail.com)

### ABSTRACT

The article analyzes the scientific views of foreign economists on the essence, features, scientific and theoretical issues of the stock market, as well as indicators of the stock market of Uzbekistan. The authors have formed their own opinions, scientific and theoretical conclusions and suggestions on the further improvement of the stock market of Uzbekistan.

### Keywords:

Stock Market, Loan Capital, Securities, Securities Market, Market Of Capitals, Credit, Investments, Issuers, Stock, Shareholder.

### 1. Introduction.

The analysis of the economic experience of developed countries shows that in international practice there is no single approach among economists on current scientific and theoretical issues of the stock market. In particular, economists and experts have different views on the fundamental economic nature, characteristics and role of the stock market in the economy, and they differ from each other.

Also, in international practice, there are different interpretations of the scientific definitions of the "stock market", which differ from each other and do not form a single approach. Therefore, while the controversy among economists about the stock market and the stock market is still ongoing, the scientific definitions and opinions given by foreign economists are also interesting, and we found it necessary to study some of them.

On October 7, 2019, President of the Republic of Uzbekistan Shavkat Mirziyoyev held a meeting on the development of the stock

market. At this meeting, tasks were given to increase the types of securities traded in the capital market, based on world practice.

Measures to increase the demand for securities, attract foreign exchanges, brokers and banks to the stock market of our country were discussed. The issues of directing a certain percentage of assets of insurance companies to the stock market, allowing banks to purchase highly liquid securities in the primary market were considered.

The need to strengthen the protection of the rights of investors and minority shareholders, improve the payment and collection of dividends was stressed. In addition, the task was given to develop corporate governance, transition to international financial reporting and international auditing standards.

The development of the sector also depends on the qualifications of specialists and the literacy of the population in this area. Today, there are only 300 specialists in our country with the appropriate qualification

certificates. Thousands of people work in this field in developed countries.

Attention was also paid to providing more information about the changes in the stock market and increasing the financial literacy of the population.

The officials were briefed on the issues discussed at the meeting and priorities were identified. Therefore, it is planned to develop a strategy for the development of the stock market in 2020-2025. It is planned to increase the ratio of free-floating securities to GDP by at least 10-15% by the end of 2025 [1].

## 2. Literature review

In particular, Raymond Barr, a foreign economist, describes the stock market as follows. "The stock market, as a technical institution, performs the function of redistribution of free funds, assesses property rights, redistributes risks, redistributes information among participants in the business cycle. Therefore, the stock market is a long-term idle capital market that collects and consolidates funds. These funds will be directed to long-term immobilization networks" [2].

In particular, Gregory Menkyu, one of the most modern and well-known foreign economists, describes the stock market in this way. "In many cases, such a definition of the stock market is common, that is, it is a set of financial institutions that allow those who wish to save, and in the stock and bond markets to lend their funds to borrowers" [3].

This is how foreign modern and well-known economists K.R.McConnell and S.L.Brew describe the stock market. "The stock market is an institution that recommends capital and brings together buyers" [4].

One of the leading researchers of the Russian financial market Mirkin Y.M. describes the stock market as follows: "The stock market is a place in the financial market where the provision of temporary free cash resources through financial intermediaries based on the provision of consolidated financial services and the use of financial instruments in the form of commodity financial products" [5].

The concepts of stock market and stock market are common in economic literature and vocabulary. In particular, E.F.Zhukov writes: "Currently, there are three markets for securities involved in financing the economy: over-the-counter, stock (exchange) and street" [6].

The role of the intermediary in the capital market is the process of mobilizing long-term funds of the population, including funds of companies and organizations, and investing these funds in securities listed on the stock exchange. As a result, securities issuers and sellers receive funding [7].

According to Y. Rubin and V.Soldatkin, the stock exchange is, first of all, a place where sellers and buyers of securities find each other, where the price of these securities is determined by supply and demand for them, and the buying and selling process is governed by rules and regulations. regulated, i.e. it is a well-organized stock market [8].

According to Berdnikova, the stock exchange is the organizer of trading in the stock market [9]. According to L.Chaldaeva and A.Kilyachkov, government securities, corporate securities and derivative financial instruments (derivatives) will be traded in the securities market [10].

According to Shokhazami, one of the leading scientists in the country, the securities market trading systems are the conclusion of a contract, verification of the parameters of the contract, clearing (settlement), fulfillment of the terms of the transaction (payment). and a market mechanism organized as a complex trading industry consisting of a set of economic, technical, technological and organizational tools that enable the transfer of securities to a new owner) [11].

The issuance of securities allows enterprises to implement large financial investment projects. For this reason, it is advisable to increase the number of joint stock companies in the regions of the country. An increase in the number of joint-stock companies will allow modernizing the production or service process [12].

## 3. Research methodology.

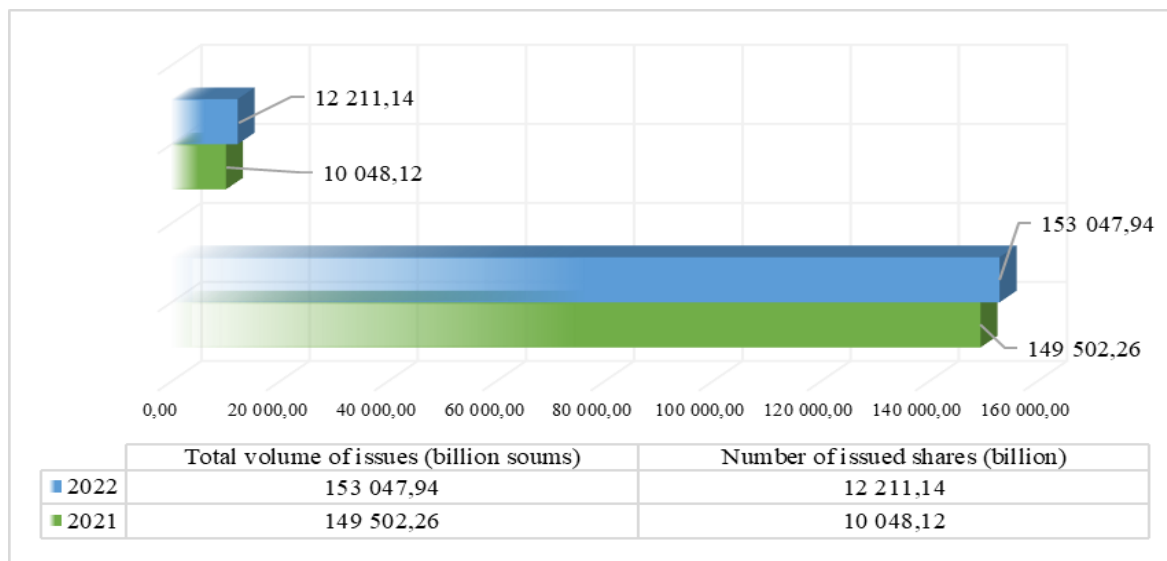
Economic research methods such as data collection, data analysis, synthesis, and logical reasoning have been widely used for the current analysis of the country’s stock market.

**4. Analysis and discussion of results.**

It should be noted that all segments of the financial market are interconnected and move together. For example, the stock market also consists of the money market and the financial capital market, which includes

securities with a maturity of up to one year in the money market, and securities with a maturity of more than one year in the financial capital market. Thus, the stock market is part of both the money market and the capital market at the same time.

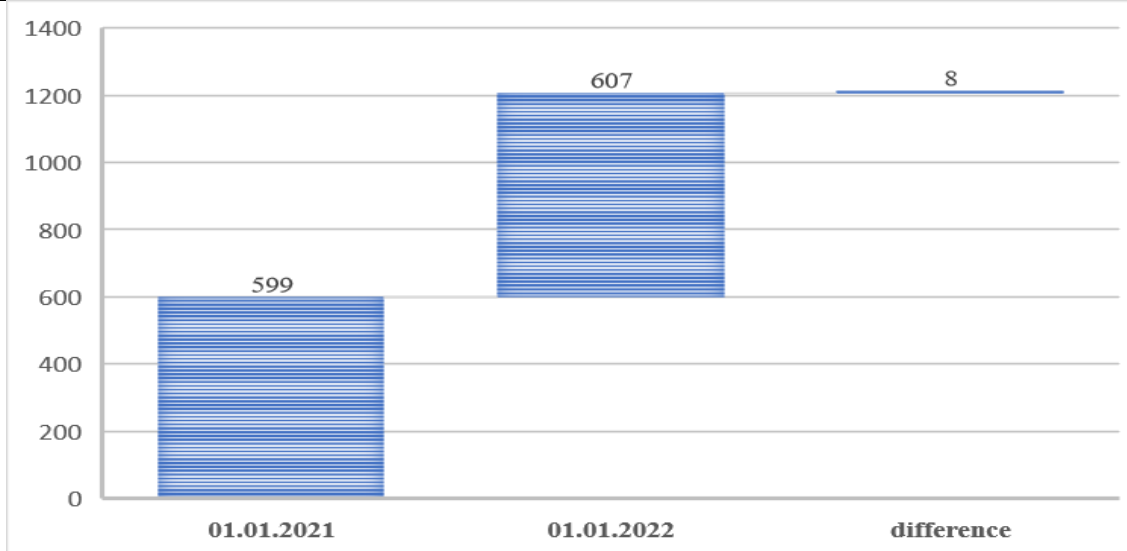
As of January 1, 2022, 607 in the Central Depository 153 047.94 billion soums of the joint-stock company with a total face value of 12,211.14 billion units securities issue account being conducted (Figure 1).



**Figure 1. The total volume of issues and the number of shares issued as of 2021-2022 [13]**

In 2021, the volume of securities issues will reach 3545.68 billion. The number of shares increased by 2,163.01 billion soums. increased by one. The Central Depository also maintains 365.6 thousand corporate bonds issued by 10 issuers with a total amount of 783.30 billion soums. Their 374.13 billion soums. A total of 41.4 thousand units were issued by 5 LLC’s.

As of 01.01.2022, the state share in 234 joint-stock companies amounted to 125,322.1 billion soums (including the State Depository in the form of shares of 222 joint-stock companies in the amount of 125,310.6 billion soums in the Central Depository). In 2021, the number of joint-stock companies with a state share in the charter capital will increase to 20, the existing state share the volume decreased by 2,279.0 billion soums.



**Figure 2. The number of joint-stock companies operating in the Republic of Uzbekistan as of 2021-2022 [14]**

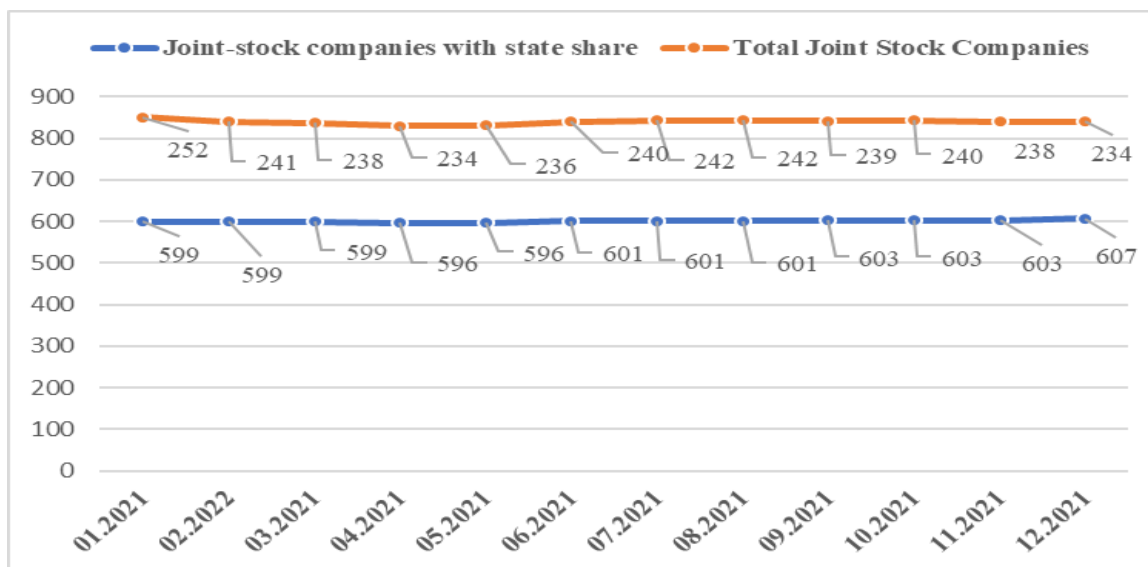
The volume of shares of economic management bodies in the charter capital of 163 JSCs amounted to 7,482.3 billion soums. In 2021, the volume of assets of economic management bodies increased by 3,097.8 billion soums, and the number of JSCs decreased by 13.

The Central Securities Depository shall ensure the single accounting of securities in the depository system of the Republic of Uzbekistan. In 2021, the Central Securities Depository received 173 sets of documents for the issuance of securities by the authorized state body for regulation of the securities market. During the reporting period, the

Central Securities Depository accounted for a total of 122 issues, including 18 issues of primary and new, 95 issues of additional securities and 9 issues of bonds. Issuance of securities of 8 issuers due to liquidation, part of securities issues of 28 issuers, one or more issues of 8 issuers and bonds of 6 issuers issues were withdrawn from the Central Depository.

During 2021, the Central Securities Depository has formed 2,256 registers for holding general meetings of shareholders, as well as for other corporate actions.

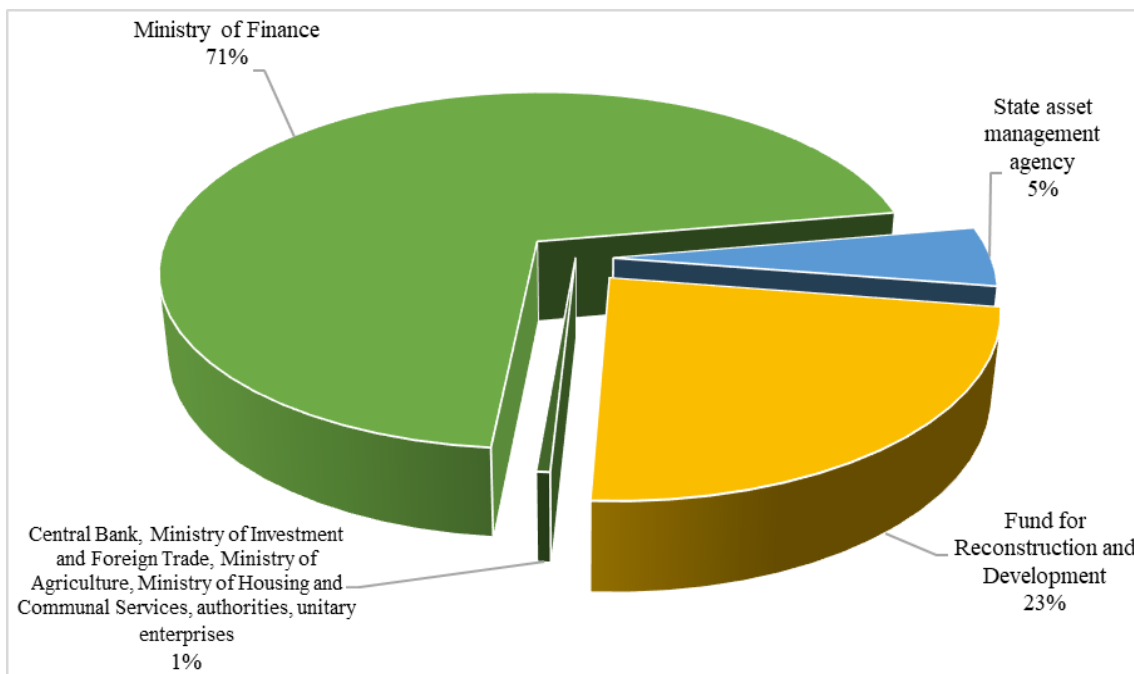
International codes were assigned to 810 types of securities of 601 local issuers.



**Figure 3. Dynamics of changes in the state share in joint stock companies in 2021 [15]**

The Central Securities Depository also keeps records of the rights of 51 investment intermediaries and their clients to securities. As of 01.01.2022, the number of clients of

investment intermediaries who opened deposit accounts 715.60 thousand, including 60.00 thousand legal entities and 656.60 thousand individuals.



**Figure 4. State share structure (in%) [16]**

Compared to the same period last year, the number of depot accounts decreased by 0.96%. Accounted by investment intermediaries. The total volume of securities at face value amounted to 8,408.86 billion soums. 2,452.25

billion soums were spent. Pieces formed a security. The volume of securities accounted by investment intermediaries increased by 28.76% compared to the same period last year.

**Table 1  
Information on the issue of shares accounted for in the Central Depository as of 2022 (territorial share issuers) [17]**

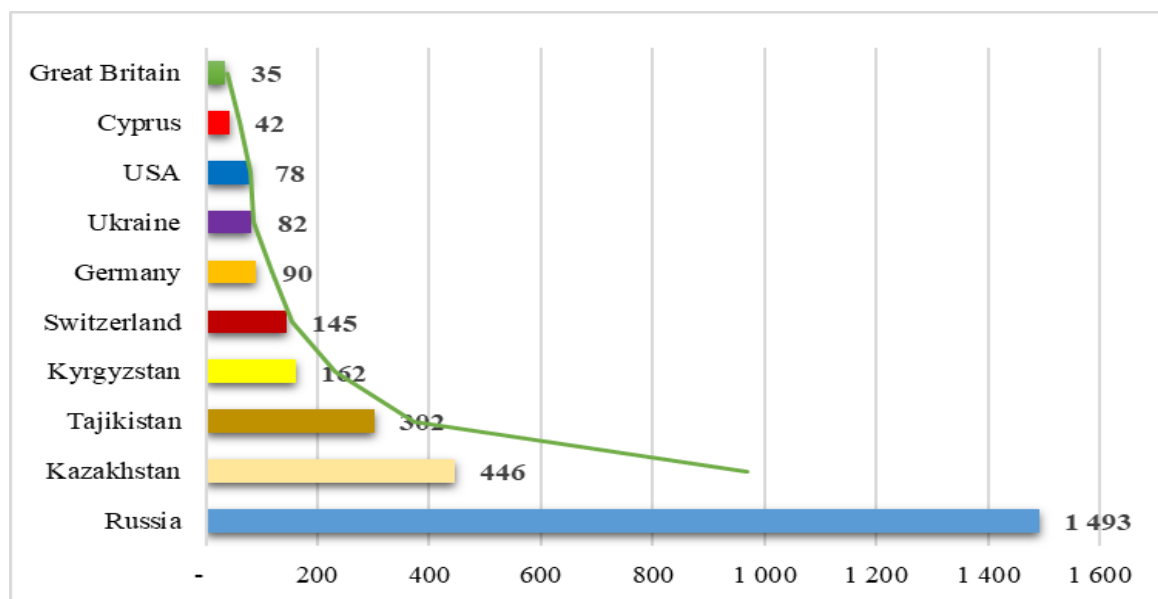
Nu.	Regions	billion soums	Number of joint stock companies
1.	Tashkent city	144 764,1	252
2.	Tashkent region	4 911,6	50
3.	Kashkadarya	2 938,2	43
4.	Navoi	2 556,0	18
5.	Fergana	1 327,7	44
6.	Andijan	921,1	36
7.	Samarkand	625,1	30
8.	Jizzakh	481,7	17
9.	Khorezm	311,4	29

10.	Namangan	300,7	22
11.	Surkhandarya	293,2	22
12.	Syrdarya	284,5	16
13.	Bukhara	205,7	35
14.	Republic of Karakalpakstan	187,9	20

As can be seen from the table above, the highest number of joint-stock companies is 252 in Tashkent. In particular, 144,764.1 billion soums were allocated for the issuance of shares. The city of Tashkent is ahead. This shows that in our regional analysis, the Tashkent sphere is at the top and the stock market is functioning optimally.

Concluding from the above theoretical issues, we have given the following authorial definition of the stock market. “The stock market as a segment of the financial market is an infrastructure element of public economic policy, which allows to solve various

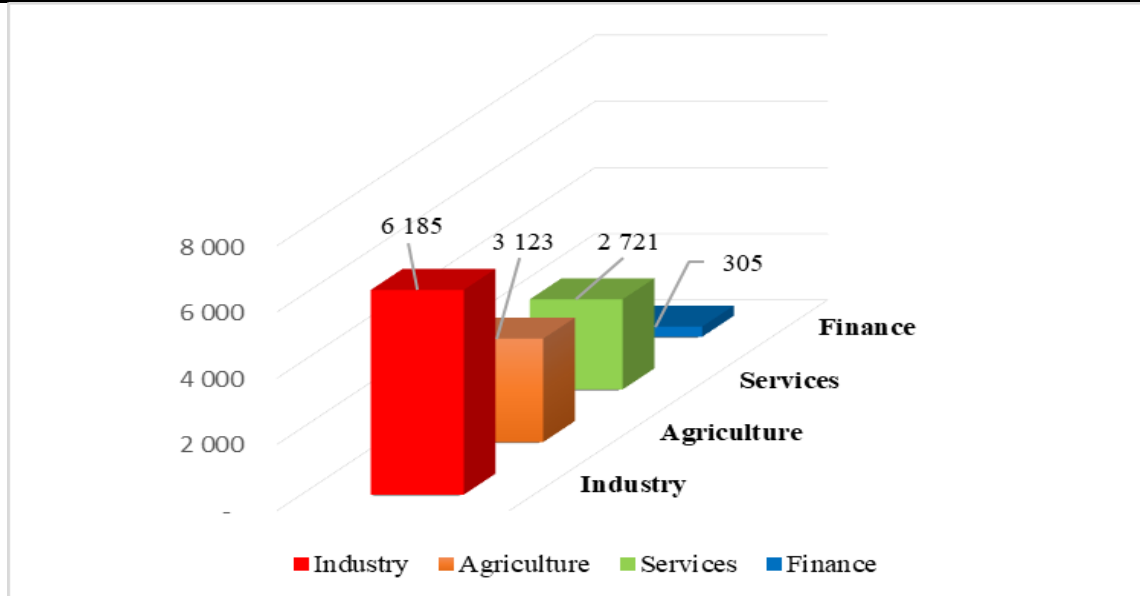
macroeconomic problems”. These problems include: increased concentration and generalized production; attracting free funds and distributing them among the necessary segments of the economic system; activation of the investment process; transformation of savings of business entities and the population into investment resources; increase the level of capitalization of income of market agents; the involvement of each household in the management of the market and the transformation of private property into the income-generating capital of a wide range of market agents.



**Figure 5. Foreign investments in the stock market of Uzbekistan (number of foreign shareholders) [18]**

Among these countries, Russian shareholders are the leaders in the stock market of Uzbekistan. This will have a positive

impact on the company’s operations, as well as increase its financial stability in the future.



**Figure 6. Number of shareholders by area of activity (billion in terms of volume of share issues) [19]**

As shown in the figure above, we can see in terms of share issuance sectors, in which 6,185 shares were issued by joint-stock companies specializing in the industrial sector, with the industrial sector occupying a high position. This has a positive impact on the financial stability of the industry.

### 5. Conclusions and suggestions.

The stock market is a key indicator of the economy, strengthening ties between manufacturing enterprises, service providers, commercial banks, stock exchanges, investment institutions and the population. In our opinion, in order to further develop the securities market in our country:

1. To improve the financial condition of joint-stock companies formed as a result of privatization, to improve the privatization process, the use of proceeds and the mechanism of sale of shares to ensure the widespread sale of shares issued by them among investors;

2. To direct the activities of the Tashkent Stock Exchange not only to organize the purchase and sale of shares, but also to monitor the financial condition of enterprises selling their shares on the exchange, as well as to provide information and information to investors;

3. Organization of the over-the-counter market of shares of joint-stock companies formed as a result of privatization. Establishment of self-governing associations, associations in order to coordinate, regulate, control the activities of over-the-counter market participants, provide appropriate assistance, protect their rights and interests. Today, the development of production processes in our country requires a reconsideration of relations with the stock market, which increases the intensity of this process. It should be noted that as a result of economic reforms, the disposal of state-owned property and the organization of relations between economic entities of different forms of ownership in accordance with the laws of the market create opportunities for various risks;

4. Bring the ratio of total securities in circulation to GDP to at least 10-15% by the end of 2025, based on the development of the stock market development strategy for 2020-2025;

5. Maximizing the income of brokerage companies based on increasing their efficiency;

6. Improving the quality of brokerage services based on the use of new information technologies;

7. It is necessary to revise the legislation, remove unnecessary restrictions

and simplify the work in the stock market;

8. Increase the number of types of securities traded in the capital market, based on world practice;

9. Increasing the demand for securities, attracting foreign exchanges, brokers and banks to the country's stock market;

10. Directing a certain percentage of the assets of insurance companies to the stock market, allowing banks to purchase highly liquid securities in the primary market.

Summarizing the positive experience in the development of global fund infrastructure, it can be said that in order to address the challenges of improving the stock infrastructure of Uzbekistan, it is necessary to adapt and use market mechanisms and instruments tested by European investors for decades to attract investment to the Uzbek economy and protect investors.

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