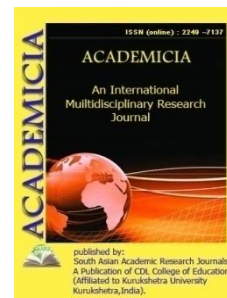




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**ACTIVITIES OF LARGE ISSUES IN THE ECONOMY OF UZBEKISTAN:
 ANALYSIS AND RESULTS**

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ABSTRACT

At present, the development of the country's economy is closely linked with the stock market. Ensuring sustainable economic and social growth, launching new projects, attracting foreign investment and business development also depend on the state of the stock market. Therefore, the activities of major issuers in the stock market of Uzbekistan in many respects have a direct impact on the country's economy. This article provides general information on the composition and activities of major players in the stock market in our country, provides an analysis of key indicators of large joint stock companies and brief conclusions on them. It also provides a number of scientific proposals and practical recommendations on further improving the activities of the stock market and its major participants.

KEYWORDS: *Joint Stock Company, Central Depository, Stock Market, Securities, Stock Exchange, Investment, Stock, Bonds.*

INTRODUCTION

From the first years of independence, reforms have been carried out to radically develop the national economy of our country. To date, it is difficult to say that changes in all areas and economic processes of sustainable development will not affect the stock market either. In this regard, today, due to the implementation of important measures aimed at developing the national securities market, the republic's corporate enterprises are standing firm and increasing their capitalization level from year to year.

This situation becomes even more apparent when we consider the total authorized capital ratio, which corresponds to an average joint-stock company. The increase in the share capital of the republic's enterprises due to the growing activity in the stock market testifies to the growing role

of the stock market in the modernization of enterprises in the real sector of the Uzbek economy. At the same time, the rate of capitalization in the enterprises of the republic, especially in joint-stock companies, can not be considered sufficient.

It was noted that one of the key issues is to increase the volume of resources attracted by commercial banks of the country through the gradual issuance of securities. At the initiative of President Shavkat Mirziyoyev, the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 was adopted. Paragraph 3.1 of the Action Strategy stipulates that "... the development of the stock market as an alternative source of capital and the placement of free resources of enterprises, financial institutions and the population" is envisaged.

Also, the concept of development of the secondary securities market in the Republic of Uzbekistan for 2017-2018 was approved. Developed in collaboration with the Research Center of the State Competition Committee, securities market infrastructure institutes and other government agencies, this concept is one of the priorities of economic development and liberalization in the Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021. [1]

Indeed, our country has all the necessary regulatory framework for the development of the stock market, which regulates the issuance, placement and circulation of securities on the stock market. Adoption of a number of normative legal acts related to the industry, namely: the Civil Code, the Law "On Securities Market", the Law "On Joint Stock Companies and Protection of Shareholders' Rights", the Law "On Exchanges and Exchange Activities", a number of legal acts was made. In order to ensure the competitiveness and stability of the country's capital market, programs for the development of the securities market are being adopted.

At the same time, in order to further increase the role of the secondary securities market in the national economy, there is a need to create a specific concept that defines the action strategy for its development in recent years, a system of ideas and views on improving its mechanism of market relations.

LITERATURE REVIEW

At present, serious work is being done to bring the Uzbek economy to a stronger, more stable and balanced development, to take a strong place in the world market, to improve the living standards and welfare of our people. These reforms do not bypass the stock market. In his report, President Mirziyoyev (2018) said the following about the development of the stock market: "Development of financial markets, including the stock market, should be one of our main goals in the new economic environment. It is necessary to further expand the range of banking services through the introduction of new financial instructors and the issuance of bonds, the development of the banking system on the basis of advanced information technologies "[2].

The last stage of economic reforms in our country has become a new stage in the development of the securities market. Now the stock market is receiving special attention. In particular, a stock exchange, ie a secondary stock market, was established. In order to rapidly organize the infrastructure of the stock market, investment companies and funds, clearing houses and stock stores, advertising firms and PIFs (private investment funds) were formed (Qayumov) [3].

Researchers Avaniidhar Subrahmanyam and S. Titman have studied the impact of investors' actions in the stock market on stock prices [4].

Economists Massimo Massa and Lei Zhang have studied the impact of local institutional investors on stock market trading [5].

According to economist Butikov, the turnover of government bond segment transactions in the stock market can reach several tens of billions a year. The goods are put into this market by one person - the state. There are a lot of buyers here - hundreds of thousands. It is the primary and secondary market and only the stock market. Only legal entities - residents of the Republic of Uzbekistan can participate in it. Transactions are carried out only in one place - in the stock department of the Republican Currency Exchange. Investors can buy bonds in this market only through dealers. The role of dealers is usually performed by banks. The state guarantees the redemption of securities, so this market is considered the most liquid. The government bond market is regulated by the Ministry of Finance, with the placement of securities, their circulation and payment of their price with the help of the Central Bank. The advantage of this market is that it has interconnected trading, depository and settlement systems that serve transactions [6].

The part of the stock market that is based on money as an investment is called the stock market and is thus an integral part of it.

The stock market makes up a large part of the stock market. The rest of the stock market did not get a special name because of its relatively small size, which is why the stock market concepts are often seen as one thing with the stock market.

Hamidulin focuses on the development of the stock market, emphasizing the importance of infrastructure. The institutional infrastructure of the securities market is divided into general and special classes. Organizations representing the general infrastructure include institutions that perform a general ancillary function in dealing with securities. Without them, the functioning of securities market participants would be impossible or complicated [7].

Belozertsev [8], Blank [9], Kapitanov [10], in their research on the functioning of the bond market, argue that the issuance of bonds of state-owned enterprises is not prohibited by law. In this case, the issuer of such bonds is also the state. As noted, the state is considered the most reliable than other issuers. It usually guarantees the repayment of its liabilities and the payment of income on its securities with all the wealth of the country, or at least with the issuance of additional money.

RESEARCH METHODOLOGY

During the bans on the stock market and its participants, analysis and synthesis, abstraction and observation, comparative analysis and other methods of statistical analysis were used.

Analysis and results

As securities are the most common type of financial instrument traded in the Uzbek stock market, their attractiveness to investors is determined by the results of issuers. Because the decision to pay dividends on shares is made at a shareholders meeting, where the company ends the year with a profit. Therefore, the indicators of financial and economic activity of major issuers in the market affect the expectations and behavior of investors.

As of January 1, 2021 year, 599 joint-stock companies in the Central Securities Depository accounted for 144,502.26 billion soums, with a nominal value of 10048.12 billion soums. Compared to the same period last year, the number of joint-stock companies increased by 6, the volume of securities issued amounted to 50292.49 billion soums. soums and 738.59 bln. soums and increased for each share. Also, the Central Depository took into account 472.8 thousand corporate bonds worth 281.24 billion soums issued by 7 issuers. They were issued by 3 commercial banks worth 172.24 billion 415.7 thousand soums.

As of January 1, 2021 year, the state share in 254 joint-stock companies amounted to 127601.1 billion soums (including the Central Depository holds the state share in the charter capital of 239 joint-stock companies in the amount of 127594.8 billion soums). During 2020, the number of joint-stock companies with a state share in the charter capital decreased by 3, and the volume of the existing state share increased by 53,041.19 billion soums. The volume of shares of economic management bodies in the charter capital of 176 joint-stock companies is 4384.5 billion soums. In 2020, the volume of assets of economic management bodies decreased by 1550.7 billion soums, and the number of JSCs decreased by 29.

As of May 1, 2021 year, 597 joint-stock companies are operating in the country. They issued a total of 12.5 million shares worth 142072.5 billion soums. Of the joint-stock companies, 150 operate in the industrial sector, 198 in agriculture, 169 in the service sector, and 80 in the financial sector (banking, insurance, leasing, etc.) (see Figure 8).

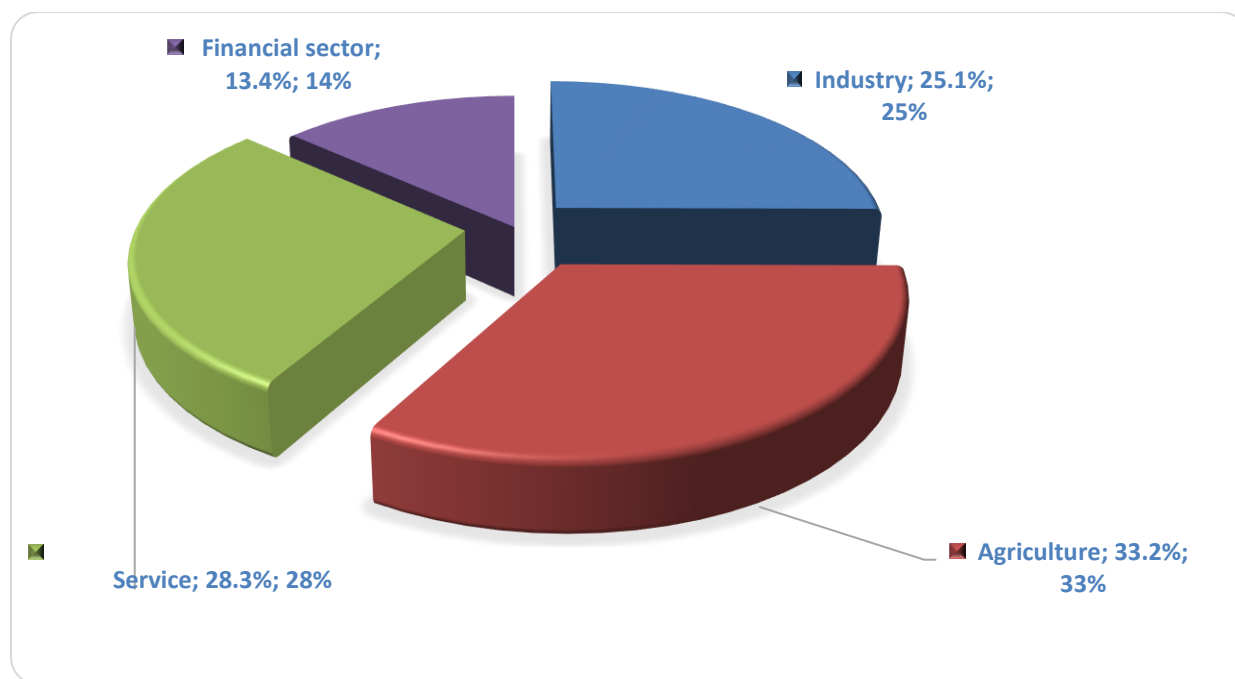


Figure 8. Sectoral structure of joint-stock companies operating in the country

As can be seen from the figure, one-third of the number of joint-stock companies are in the agricultural sector, while the service and industrial sectors account for 28.3% and 25.1%, respectively. The most active participants in the stock market are joint-stock companies of the financial sector, which account for 13.4% of their total number.

Analyzing by regions, we can see that the joint-stock companies are unevenly distributed across the regions of the republic (see Table 5). The data in Table 5 show that the majority of joint stock companies are located in Tashkent (36.4%), Tashkent region (7.9%) and Fergana region (7.4%). The number of joint-stock companies in these three regions is more than half of the total number of joint-stock companies in the country, and the last places in this indicator are occupied by Syrdarya (16 JSCs) and Jizzakh (17) regions.

TABLE 5 TERRITORIAL STRUCTURE OF JOINT STOCK COMPANIES IN UZBEKISTAN [11]

No	Name of regions	Number of joint stock companies, pcs	Percentage of total, %	The value of the issued shares, bln. soum
1	The Republic of Karakalpakstan	20	3,35	90,44
2	Andijan region	36	6,03	783,20
3	Bukhara region	35	5,86	205,83
4	Jizzakh region	17	2,85	341,56
5	Kashkadarya region	43	7,20	2 811,41
6	Navoi region	19	3,18	2 477,20
7	Namangan region	21	3,52	177,97
8	Samarkand region	31	5,19	407,8
9	Surkhandarya region	22	3,69	103,51
10	Syrdarya region	16	2,68	206,67
11	Tashkent region	47	7,87	1 964,56
12	Fergana region	44	7,37	1 289,60
13	Khorezm region	29	4,86	210,64
14	Tashkent city	217	36,35	131 002,11
	total	597	100,0	142 072,51

However, in terms of the total value of issued shares, the Republic of Karakalpakstan and Surkhandarya region ranked last in the regional structure in terms of the value of securities of joint-stock companies.

In 2020, transactions with securities of issuers in 11 regions of the country were concluded. The largest volume of trade was in Tashkent region, 7839 transactions worth 275.64 billion soums were signed with securities of 49 issuers. Securities of 5 issuers from Andijan region participated in the auction, with them 2526 transactions worth 37.36 billion soums; Securities of 9 issuers from Tashkent region were traded for 34.19 billion soums. 3467 transactions worth UZS; 9879 transactions worth 32.55 billion soums (excluding SPO of Quartz JSC) were concluded with securities of 9 issuers from Fergana region. 6334 transactions worth 15.7 billion soums were signed with securities of 2 issuers of Navoi region. In Namangan region, one transaction worth 22.58 billion soums was made with securities of one issuer. In 2020, the issuers of securities in the remaining regions made transactions of not less than 2 billion soums.

The financial results of joint stock companies play an important role in the stock market. The State Assets Management Agency has compiled a list of the 20 companies with the highest net profit and the 10 companies with the most losses out of 1903 state-owned enterprises that reported the results of the analysis of financial statements for the end of 2020.

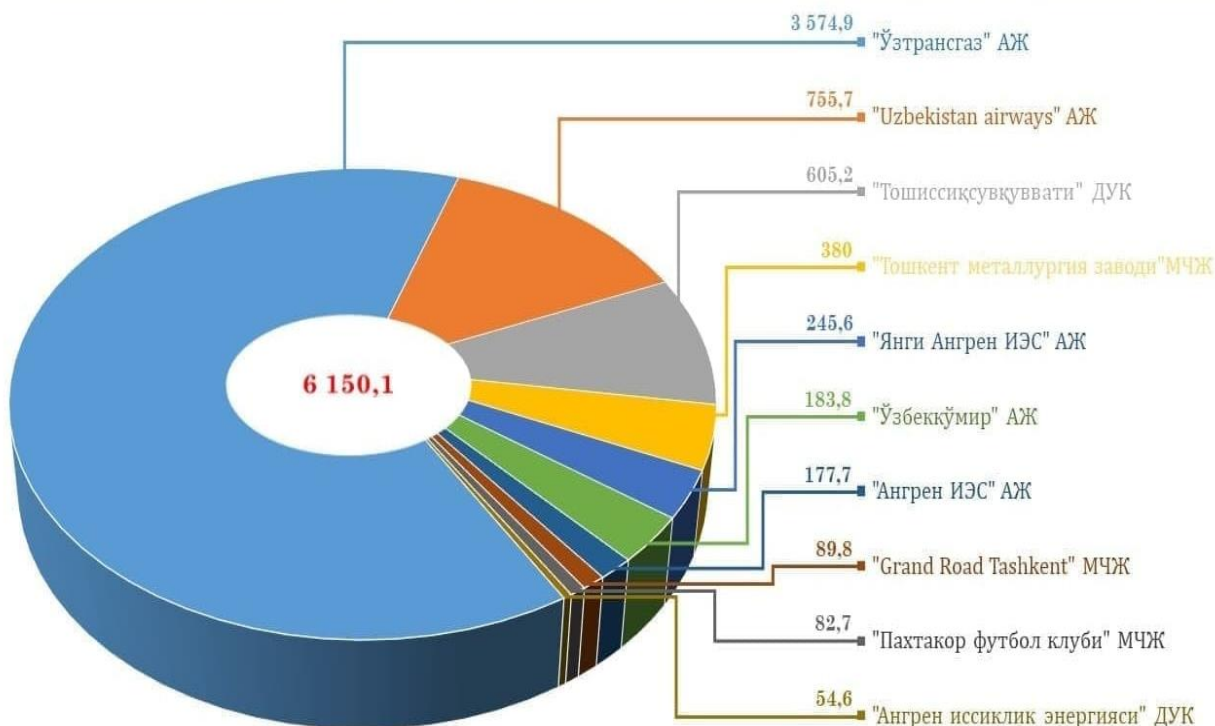


Figure 9. 10 state-owned enterprises affected in Uzbekistan in 2020, billion soums [12]

According to the figure, Uztransgaz was the most affected enterprise, with a total loss of 3574.9 billion soums, which is 58% of the total losses of the 10 enterprises shown in Figure 9.

We can see that among the affected state-owned enterprises in the picture above are joint-stock companies, including JSC "Uztransgaz", JSC "Uzbekistan Airways", JSC "New Angren TPP", JSC "Uzbekcoal", JSC "Angren TPP". This will definitely have a negative impact on the attractiveness of their stock and the market price.

However, it should be noted that in the structure of state-owned enterprises, which will benefit the most in 2020, joint-stock companies are also leading:

- JSC "Almalyk Mining and Metallurgical Combine" (3944.9 billion soums);
- Uzbekneftegaz JSC (3432.1 billion soums);
- JSC "Ferganaazot" (292.6 billion soums);
- JSC "Hududgaztaminot" (211.2 billion soums);
- Uzavtosanoat JSC (160.3 billion soums) and other JSCs.

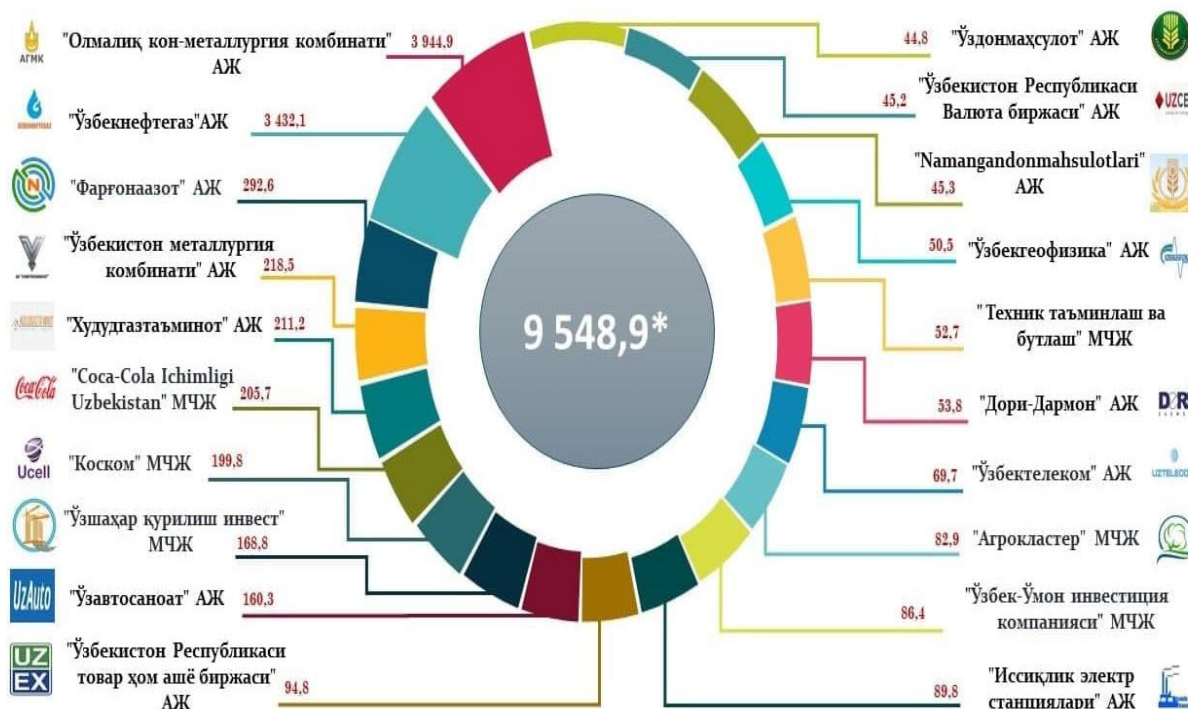


Figure 10. 20 state-owned enterprises that will benefit in 2020, billion soums [12]

The fact that 14 of the 20 state-owned enterprises with the largest profits in 2020, shown in Figure 10, are joint-stock companies, will certainly increase their ability to pay dividends from this profit, and will have a positive impact on the profitability of the Uzbek stock market.

The financial resources formed by the securities issued as part of the total resources of commercial banks in the form of joint-stock companies of the country are very weak, only 1.3% as of January 1, 2020, which was even lower in previous years (11- see picture).

At the same time, it can be concluded that in recent years, commercial banks have also issued subordinated debt obligations, the share of which as of January 1, 2020 amounted to 1.8%. Of course, if we compare this figure with securities in the practice of foreign banks, in 2019 this figure will be 11.6% in the Chinese banking system, 13.1% in Japan, 31.9% in Germany, 16% in the US and 11.4% in Russian banks [13].

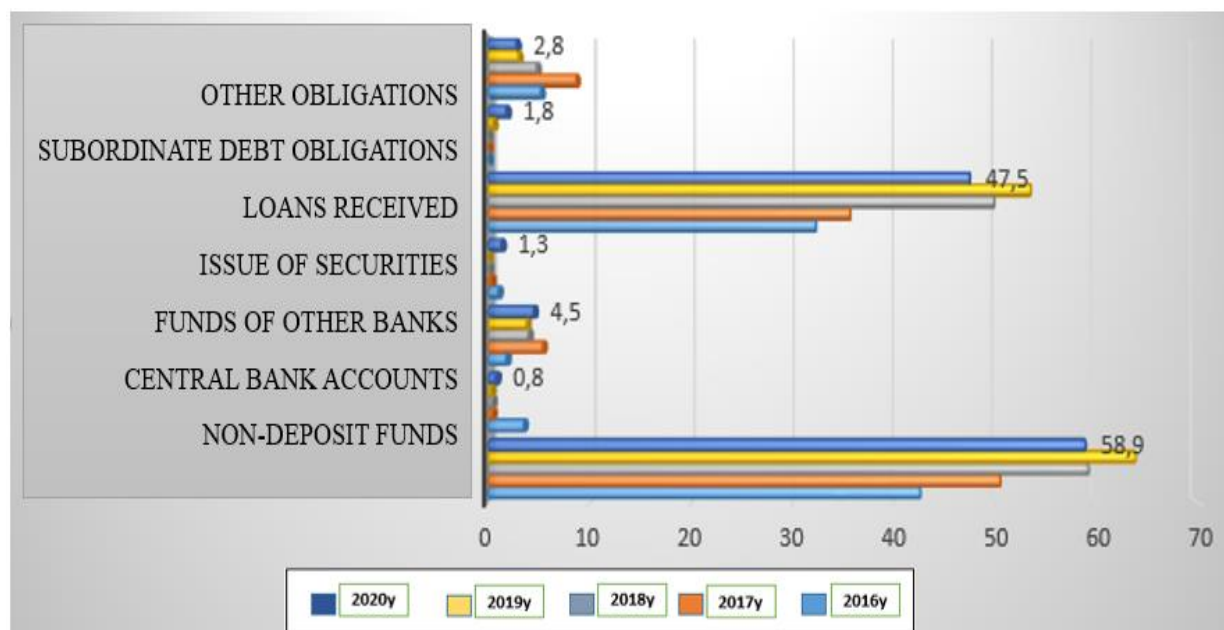


Figure 11. Share and dynamics of securities in the structure of non-deposit sources of commercial banks, in percent

As can be seen from the figure, in the structure of non-deposit sources of commercial banks in the form of joint-stock companies in 2020 attracted only 1.3% due to the issuance of securities, and 1.8% due to subordinated debt. This means that while the banks of the country attract funds mainly through deposit sources and the global credit market, the potential of the national stock market is not fully used by the issuing banks.

The Central Securities Depository shall ensure the single accounting of securities in the depository system of the Republic of Uzbekistan. During 2020, the Central Depository received 174 sets of documents for the issuance of securities from the Capital Market Development Agency. In 2020, the Central Depository accounted for a total of 95 issues, including 22 - primary, 70 - additional securities and 3 bonds. Changes were made to the parameters of securities issues of 7 joint-stock companies.

In connection with the liquidation, securities issues of 14 issuers, part of securities issues of 48 issuers and 10 bond issues were withdrawn from the Central Depository. During 2020, the Central Securities Depository has compiled 2,105 registers for holding general meetings of shareholders, as well as for other corporate actions. International codes were issued for 483 types of securities of 332 local issuers. This indicates the expansion of the local stock market.

In order to improve corporate governance in joint-stock companies, in particular, to provide remote voting for shareholders, the Central Securities Depository has introduced a new service "Electronic Voting - E-VOTE", which is designed to conduct general meetings of shareholders / supervisory board online. In 2020, the annual general meetings of shareholders of 59 JSCs using the new "Electronic Voting E-VOTE" service were successfully held remotely.

CONCLUSION

The analysis of the current state of the stock market of Uzbekistan has shown that the state has created sufficient regulatory, institutional, organizational and economic conditions for the functioning of the stock market in the national economy. In recent years, a number of measures have been taken to integrate into the global stock market. As a result, the capitalization of the stock market of our country and the number of participants tend to grow. In particular, the capitalization of the national stock market at the end of 2019 amounted to 52.5 trillion soums, as of January 1, 2021 - 54.8 trillion soums, ie annual growth was 4.7% despite the economic crisis caused by the pandemic.

However, there are some shortcomings in the field of securities trading, such as the uneven distribution of securities transactions throughout the year, the dominance of the stock market, which accounts for 87.2% of transactions and 99.2% of transactions, as well as the majority of issuers in Tashkent. low activity of issuers of other regions, underdevelopment of the secondary securities market, low number of professional participants, high share of state-owned enterprises in the issuers of joint-stock companies.

In addition, the most active participants in the stock market of Uzbekistan are commercial banks, whose securities are in high demand, and commercial banks account for more than 70% of trade turnover in securities. This means that other corporate structures are less active in the stock market.

Therefore, the head of our state plans to increase the competitiveness of the capital market and increase its capitalization to 45 trillion soums by the end of 2023. soums, to increase the share of projects financed by the issuance of securities under the republican and regional investment programs to 5%.

Thus, we can conclude that the stock market opportunities in the national economy are not used enough, both individuals and legal entities prefer bank deposits guaranteed by law to maintain and increase savings, so the task of raising financial literacy of the stock market population is This will increase the level of use of market potential in this area.

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