

Prospects for the Development of the Stock Market in Uzbekistan

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Abstract

In the context of strategic development, the country requires the development of the stock market, in particular, the effective use of capital market opportunities, but this process is not without problems.

INTRODUCTION

One of the main directions of the rapidly developing social and economic reforms and the state development strategy in Uzbekistan is to attract investments to the economy through the development of the national stock market and create sources of income from investments for the population. It is important to pay attention to the extent to which the stock market responds to the requirements of the state's macroeconomic policy and how effective it is to invest through the stock market. As a result of our research on the development of the stock market of Uzbekistan, there are problematic situations not only in the formation and placement of state and enterprise funds, but also in attracting public funds to this market. These circumstances show that there is a strong need to develop directions for the development of the stock market in Uzbekistan. Based on the results of the research, the directions of development of the stock market can be expressed as follows (Figure.1)

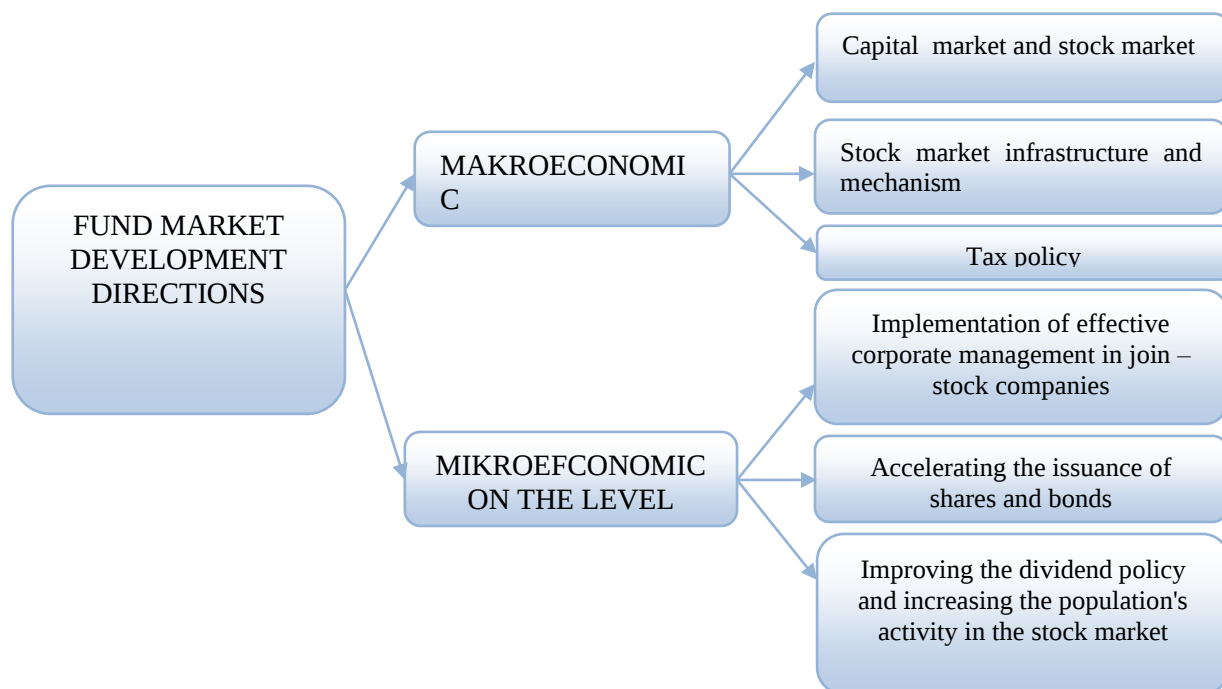


Figure 1. Development directions of the stock market

In the process of forming directions for the development of the stock market, special attention is paid to the solution of two priority issues. Firstly, as a solution to the problems related to the development of the stock market, and secondly, as an alternative source for the tasks defined in the Action Strategy for the further development of the Republic of Uzbekistan in 2017-2021, that is, attracting capital and deploying the free resources of enterprises, financial institutions and the population. serves to fulfill tasks aimed at developing the stock market. In our opinion, it is appropriate to implement the directions of the development of the stock market at the macro and microeconomic level, and at the macroeconomic level, the main attention should be paid to the following.

1. Capital market and stock market. The development of the real sector of the economy, the development of business in general is directly related to the activity of the capital market, in particular, the stock market, which is considered its component. Today, the main share of the stock market is accounted for by the over-the-counter market (unorganized market). One of the most important tasks before the capital market agency and the stock exchange is to increase the number of listed companies. A significant part of it is made up of financial sector enterprises, which make up 75 percent of the stock market turnover. The current situation can be explained by the fact that 85% of the shares of 605 joint-stock companies are owned by the state. In this regard, it is no coincidence that the President assigned the task of identifying the 20 most successful state-owned enterprises and privatizing them through the capital market. As the share of the state increases in economic societies, the level of efficiency decreases. In order to increase the volume of supply in the stock market, it is necessary to privatize non-strategically important, highly liquid JSCs. Based on the above, it is desirable to gradually reduce the state's share in the share capital structure of large strategically important companies.

2. Stock market infrastructure and mechanisms. In the development of the stock market of Uzbekistan, it is necessary to widely introduce market mechanisms and improve the infrastructure. The main issue here is competition, demand, supply, interest rate, private ownership, infrastructure, which are important in the market economy. In this, increasing the liquidity and level of capitalization of securities, in particular, the dividend policy of JSCs and the further improvement of the secondary market of securities, increasing the opportunities to attract the general public to stock market trading, the transfer of savings funds of local investors, that is, the population, to the stock market current issues and priorities related to creating trading opportunities through mobile applications, revising listing requirements, expanding the activity of trading platforms as a means of improving engagement through Currently, a number of activities are being carried out to attract the population to the stock market. In particular, as a result of the sale of shares to the public through the initial public offering (IPO) and secondary public offering (SPO), attention is being paid to reducing the state's share in JSCs. The practice of public placement of shares is effective in attracting capital to JSC. Based on this, it is necessary to sell stock packages of JSCs in which the State and economic associations have a share on the basis of primary and secondary public offering (IPO and SPO)



3. Tax policy. The implementation of tax policy in any form in the country has a direct or indirect impact on the size, attraction and placement of financial resources of JSCs, protection of investors' interests, in a word, management.

We cannot say that the shareholders' interests were fully secured after the only IPO in our country. Because at the end of 2018, JSC "Kvars" directed its net profit to increase the authorized capital, and dividends were paid in the form of shares. As a result, the stock price fell sharply. The conclusion is that after the IPO practice, the interests of the shareholders are not ensured, that is, the income in the form of dividends is not given in the form of cash, further reduces the interest of investors and extinguishes the investment attractiveness. At this point, it is necessary to note that the practice of taxation is used in our country even when the profit is reinvested and paid in the form of shares. The practice of collecting tax on income in the form of dividends received in the form of cash is understandable. However, as a result of reinvestment, the investor faces a threefold loss: loss of income in the form of dividends; sharp drop in share price; application of taxation practice. In the practice of developed countries, reinvestment and payment of dividends in the form of shares are exempted from dividend tax, provided that new projects will be launched in the future, JSCs and investors will be provided with income, employment and other aspects. This practice should be implemented in our republic as well.

At the same time, as of October 1, 2019, there are 605 joint-stock companies operating in our country, 514 of them have a state share, which makes up 85% of the total number of joint-stock companies. Such a situation requires the creation of an environment of equal competition between JSCs in the private sector and state enterprises. Therefore, in order to create an environment of equal competition between JSCs, it is recommended to transfer at least 50 percent of the net profit of enterprises with a state share to the state budget. This prepares the ground for the development of JSCs in the private sector and provides an environment of equal competition.

At the stage of microeconomic development of the stock market, the main attention should be paid to the following.

1. Introduction of effective corporate management in JSCs. Although a number of regulatory legal documents on the organization and improvement of effective corporate management methodology have been adopted in operating JSCs, but by improving the modern corporate management system in JSCs, making optimal decisions on the management of financial resources of enterprises, strengthening their financial support, using modern instruments issues of wide use, making investment decisions, correct assessment of financial risks at the level of international requirements did not bear fruit in the conditions of strategic development. For this reason, the issues of "introducing modern standards and methods of corporate management in joint-stock companies, strengthening the role of shareholders in the strategic management of enterprises" remain relevant in the Action Strategy for the five priority directions of the development of the Republic of Uzbekistan in 2017-2021. Accordingly, further development of the activities of JSCs, taking into account the mechanisms and principles of corporate governance, remains a priority.



2. Accelerating the issuance of shares and bonds. In the stock market of Uzbekistan, the practice of issuing preferential shares has hardly been observed in recent years. We believe that expanding its circulation and accelerating its emission should be regarded as a priority task in JSC practice. While preferred shares do not reflect the obligation that is characteristic of a bond, a fixed income is guaranteed. Fixed income as a passive income serves the attractiveness of the preferred stock in the period when the possibility of receiving income through the share price is relatively low. 99209.77 trillion in our country in 2019. shares were put into circulation in the amount of soums. However, we cannot express a positive opinion regarding the free circulation of the issued shares on the stock exchange. Because only 5 percent of shares of 105 out of 605 JSCs are in free circulation is a clear proof of this. In order to expand the circulation of shares, it is necessary to expand privatization practices and increase the volume of open placement of shares. Before that, it is necessary to pay special attention to aspects such as profitability of shares, regularity of dividends. The regular payment of dividends creates the basis for receiving income from changes in the share price in the stock market, and the development of the stock market is ensured due to active income.

The next type of securities that should be paid attention to when expanding the types of financial assets put into circulation on the stock market are corporate bonds. A corporate bond is an attractive financial asset for investors because it reflects a clear obligation and fixed income. On the other hand, the fixed income determined by corporate bonds acts as a relative guarantee. Today, corporate bonds worth 488.06 billion soums are in circulation in our country, and they are also privately placed only among legal entities. The transition to open placement of corporate bonds and increasing the volume of circulation also serves as a unique intermediate stage in the development of the stock market and the stock market.

3. Improving the dividend policy and increasing the activity of the population in the stock market. Problems such as state ownership of large stock packages in the stock market of Uzbekistan, lack of awareness of the possibility of earning from securities, underdevelopment of infrastructure entities that provide and guarantee income from securities have not been sufficiently solved. did not find From this point of view, stock market infrastructure is dependent on investment activity, thus, it is necessary to improve the stock market infrastructure, taking into account its important role in the sustainable development of the economy and raising the standard of living of the population.

In order to increase the activity of the population in the stock market, it is necessary to improve the dividend policy of JSC and develop a transparent information system about stock market instruments. Effective dividend policy of JSC is the most important direction in attracting investments. As a result of increasing opportunities to attract the general public to stock exchange based on the motivation of an effective dividend policy: it serves to finance the national economy, including finance, industry and service groups; leads to an increase in the national income of the population, savings; by investing in various instruments of the stock market, the efficiency of managing public savings funds increases, investment risk decreases; creates an opportunity to attract savings funds of local investors, i.e. residents, through the stock market. For this purpose, it is necessary to introduce a procedure for selling packages of shares of state JSCs on the stock market based on the principle of "One share - one lot".



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