

ANALYSIS OF THE CURRENT STATE OF DEVELOPMENT OF THE SECURITIES MARKET IN UZBEKISTAN

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ABSTRACT	KEY WORDS
The article examines issues related to current problems and trends in the development of the international securities market in the current unstable socio-economic conditions on the global stock market. It also touches upon issues related to the situation on the securities market in the Republic of Uzbekistan. The main factors influencing the development of the stock market, the main problems and possible solutions for the issue of securities are considered.	Stock market, securities market, investments, emission, financial instruments.

Introduction

The current situation in the global economic space shows that the securities market, as part of the financial market, is an effective mechanism for the redistribution of funds through the use of various financial instruments, including securities, as well as bonds, shares, investment units, depository receipts, which indicates the relevance of this article.

The purpose of the scientific research is to consider the main trends in the development of the international securities market in the current unstable situation.

Research objectives:

- conduct a literature review on the topic under consideration;
- conduct an analysis of the current situation on the international securities market, including the securities market of the Republic of Uzbekistan;
- identify the main problems on the international securities market;
- reveal possible directions for solving problems on the securities market.

Literature Review

Despite its long history of development - the beginning was laid in the 16th century, when in 1556 the stock exchange in Antwerp began its activity, many scientific studies on the problems of the securities market, there are still many unaddressed problems in this area.

In Russia, trading exchanges appeared only at the end of the 18th century - the circulation of liquid securities in the form of shares, in Uzbekistan - the securities market began its operation only in March 1991 - with the establishment of the Universal Commodity and Stock Exchange "Tashkent" [9].

As already noted, the problems of the securities market have been considered by many researchers. For example, Konstantin Isaakovich Sonin, a famous Russian economist, Nobel laureate, author of many works on the theory of auctions and economics, compares the dependence of the problems of the securities market on the economic activity of many financial organizations and financial crises [6].

There are many different theoretical views concerning the problems of the securities market in the works of both domestic and foreign economists, touching upon the problems in relation to the organization of the securities market, stock exchanges, their organization and main characteristics.

Theoretical and practical issues of the development of the international securities market are disclosed in the scientific works of such economists as Abramov A.E. [2], Butikov I.L. [3], Krutova N.A. [4], Pankova V.A. [5], Urusova A.B. [7], Shokha'azamiy Sh.Sh. [8], Ibodullaev A.A. [9]

Despite the unstable socio-political and economic situation in the world, due to various reasons - war, inflation, rising interest rates, rapid decline in purchasing power, most stock exchanges successfully continue their activities.

Analysis and Results

Let's conduct a brief analysis of the international securities market indicators. According to the available data presented on the Freedom Finance website [10], over the past five years, the S&P 500 stock index has amounted to 103.6%, in 2023 compared to 2022 it has grown by 21.3%; the Nasdaq technology index has amounted to 193.3% over the past five years, in 2023 compared to 2022 it has grown by 39.0%. The yield of the European securities market over the past five years has amounted to 62.4% and in 2023 compared to 2022 it has grown by 16.9%.

If we talk about MSCI global stocks, their growth is observed, which for January-March amounted to 7.8%, which is one of the highest indicators since 2020.

Despite the crisis, the largest stock markets in the United States are still NASDAQ and the New York Stock Exchange, whose main goal is to create a free market zone that allows traders to invest in capital.

As of 01.01.2024, the United States is the leader in the number of investors - more than 59% and a market capitalization of 55,820,772 million US dollars for 2023 [11].

In second place is Japan - 7.4%, Great Britain - 5.2%, China - 4.8%, France 3.9%, Canada - 3.8%, then come Switzerland, Australia, Germany, India, Taiwan and South Korea, Russia, unfortunately, due to many reasons, including sanctions, has less than 1% of the share of investments in the world stock market.

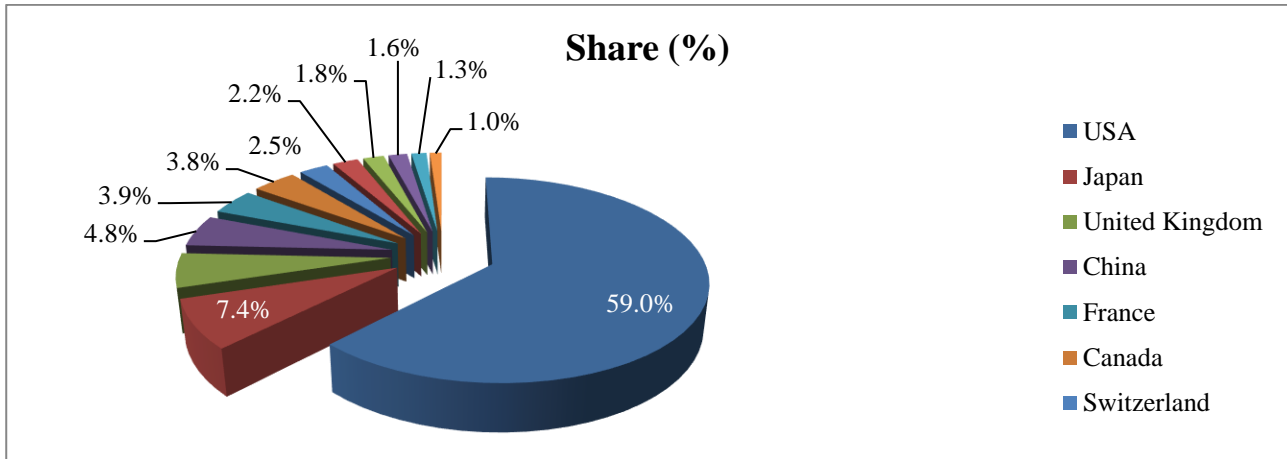


Figure 1 – Share of the world stock market, % [10]

Thus, the United States still maintains its leading position, but there is a tendency for stronger players to appear on the international securities market, which have good potential in the future.

The deterioration of economic indicators in the financial market has led to instability of the financial system and a loss of public confidence in financial instruments.

In order to achieve the goals of sustainable economic growth in the country, it is necessary to find ways to increase the use of financial resources through financial market mechanisms.

In order to accelerate the pace of economic development, it is important that more and more people begin their investment activities as private investors, investing money in securities.

But, at the same time, it should be noted that the efficiency of the stock market largely depends on the stage of development of the country, since the type of economic system and model have a direct impact on the following aspects, depending on the development model of the state's economic system.

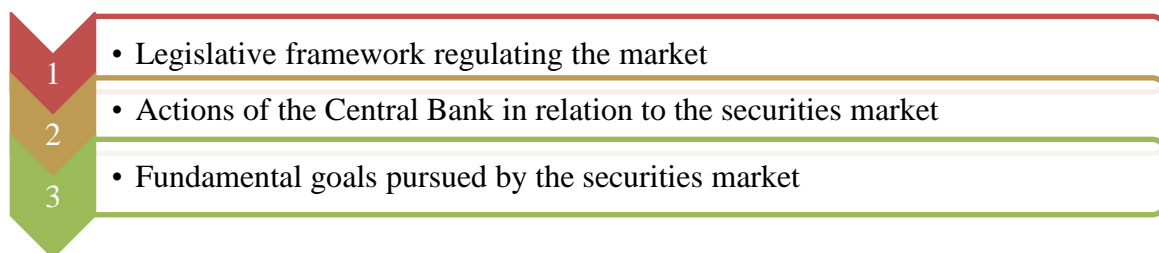


Figure 2 - Factors influencing the activity of the securities market [7]

As for the Republic of Uzbekistan, the main problem of the stock market is the low level of its internationalization.

It is also necessary to note the following barriers that hinder the successful development of the securities market in the republic:

- the presence of restrictions on the areas of activity of potential investors - the market of the republic is focused on domestic investments first of all, therefore the share of foreign investments is insignificant;
- the state implements a regulatory policy in the securities market, thus creating obstacles for foreign investments [9].

But, at the same time, the securities market of the republic today is in the process of integration into the international securities market, and issues are being resolved on allowing foreign investors to invest in the republican capital market on a selective basis.

The possibility of foreign capital inflow into the republic will allow:

- ❖ to increase the role of the securities market in financing the state economy;
- ❖ to increase the share of securities in circulation;
- ❖ to promote the expansion of the securities market.

An important problem of the stock market of Uzbekistan is such negative factors of macroeconomic indicators as:

- increase in public debt;
- budget deficit;
- growth in inflation.

As a result, the securities market of Uzbekistan acts as an ineffective regulator of the monetary system of the republic, putting a burden on participants in monetary relations and reducing the amount of capital available for deposits of private investors.

Artificial intelligence has become a new trend in 2023 due to the active development of technologies. For the market of the Republic of Uzbekistan, AI technologies have become one of the important triggers in the first half of 2024.

Currently, there are a lot of investments in artificial intelligence, which, in 2023 alone, accounted for 26-32% of the growth of the S&P 500 on the international securities market [11].

Today, the securities market of the Republic of Uzbekistan plans to increase the capitalization of freely traded shares by more than 20 times by 2030, as of today, the capitalization level is more than 450 million dollars.

The total value of shares in free circulation was brought to 45 trillion soums by the end of 2023. This is the equivalent of \$3.7 billion, 5% of the republic's GDP. This figure is \$100 million higher than in 2022. But in relation to GDP, it remained at 0.4%.

Diagram 1 shows the market capitalization of freely traded shares on the stock market of Uzbekistan for the period 2021 and January 1, 2024.

Of course, the weak dialogue between the state and participants in the capital market of the republic does not have the best effect on the development of the stock market in the republic.

The following can be named as the main reasons for the negative impact on the activities of the securities market in the Republic of Uzbekistan:

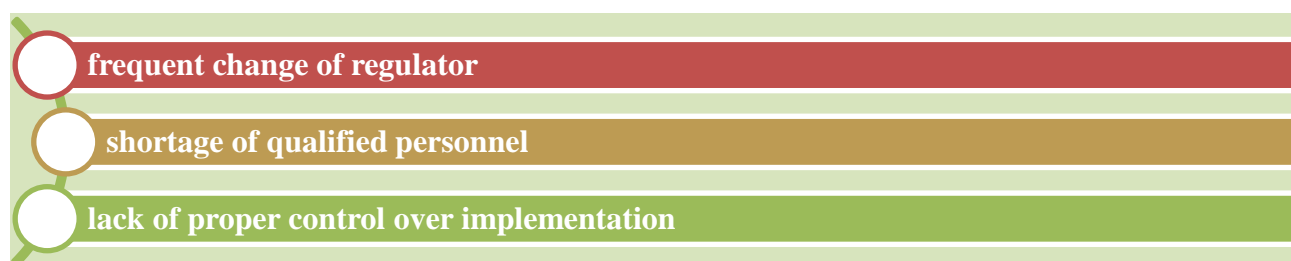


Figure 3 - Main problems in the securities market in the Republic of Uzbekistan¹

¹ Compiled by the author.

But, at the same time, with the new regulator, the capital market received a roadmap for the development of the segment until 2025.

Perhaps the main thing it provides for is the launch of a single depository system and the establishment of communication with international players.

The lack of basic infrastructure is the main reason why foreign investors ignore the republic's stock market.

It is planned that Uzbekistan will introduce a single depository system from January 1, 2025.

For the successful systematic development of the country's stock market, further diversification of the economy is necessary with the participation of a larger number of industry enterprises, stimulating their borrowing on the stock market through corporate bond issues.

Thus, at the moment, almost 90% of the small number (27) of corporate bond issuers are in the banking services and insurance company services sector (see Fig. 4-6).

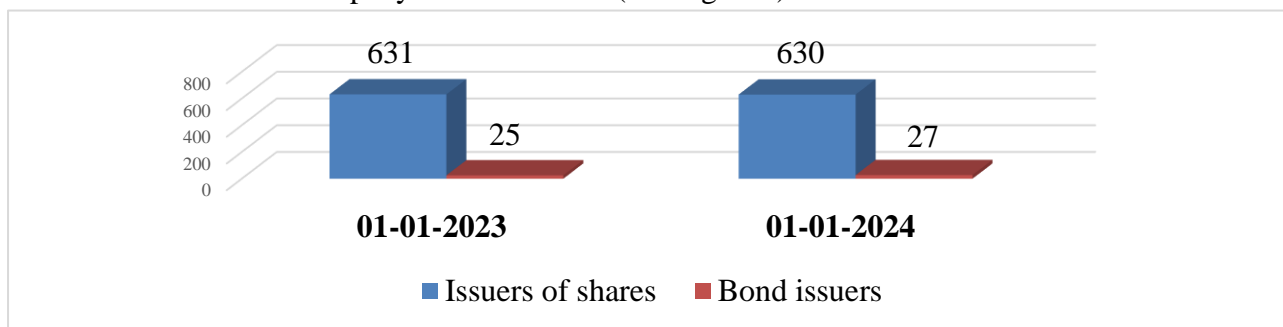


Figure 4. Issuers of securities in the Republic of Uzbekistan as of 01.01.2024 [11]

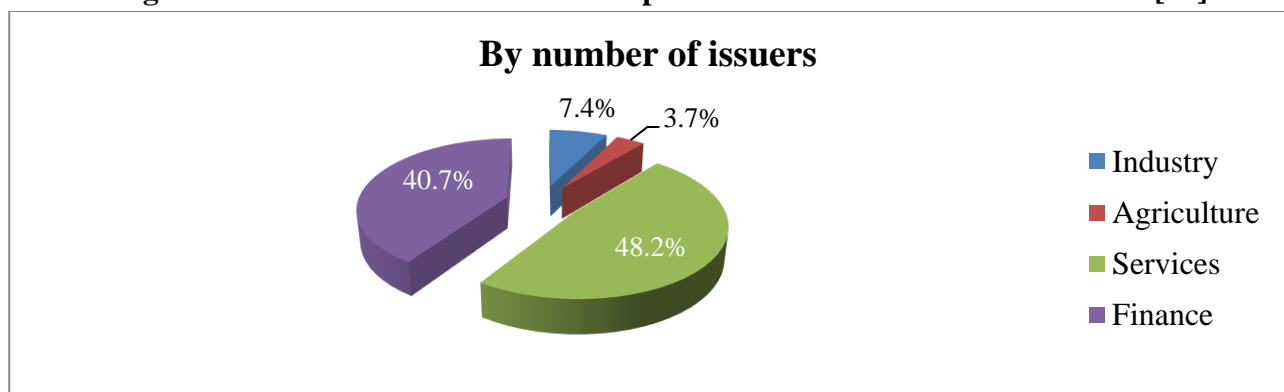


Figure 5. Issuers of bonds in the field of activity in the Republic of Uzbekistan by the number of issuers as of 01.01.2024 [11]

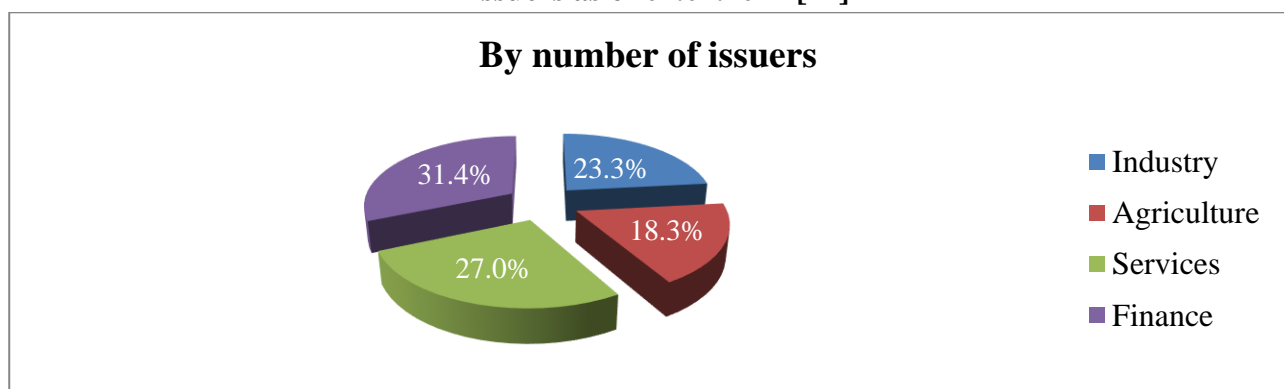


Figure 6. Issuers of shares in the field of activity in the Republic of Uzbekistan by the number of issuers as of 01.01.2024 [11]

Conclusions and Suggestions

At the moment, the state authorities are trying to encourage the active participation of foreign investors in equity capital and bonds. For example, investors who purchase company shares can count on tax benefits.

Legal entities that are not residents of the country are subject to a preferential tax rate of 5% on dividends, and investors from other countries are exempt from paying taxes on income from interest on bonds.

During this period, special attention should be paid to effective legislative regulation of the securities market and blocking the possibility of speculative processes.

But, nevertheless, the prospects of the financial market of the Republic of Uzbekistan are associated with the development trends of a rather contradictory situation. New innovative tools and platforms for attracting and investing capital are increasingly appearing on it, which should expand sources of financing and increase competition.

In order for the participation of the population in the financial market to become a sustainable trend, it is necessary to improve the culture of interaction between financial intermediaries and clients themselves, mainly in the field of investment financial services.

We should not forget about the need to improve the financial literacy of all participants in the financial market, and it is also important to monitor threats to financial security.

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