AMERICAN JOURNALS
Open Access, Peer Reviewed Journals

American Journal of Business Management, Economics and Banking
ISSN (E): 2832-8078 Volume 12, | May, 2023

AUTHOR'S APPROACH TO THE CONCEPT "FINANCING OF JOINT STOCK COMPANIES THROUGH STOCKS"

Kakhramon Chinkulov
Associate Professor, PhD. Tashkent Institute of Finance
e-mail: kahramon114@yahoo.com

A B S T R A C T	K E Y W O R D S
The purpose of the author is to define the theoretical and economic essence of "financing of joint-stock companies through stocks." In the author's opinion, first of all, it is impossible to talk about financial indicators that reflect his position, without specifying "financing of joint-stock companies through stocks." Based on the results of the study, the author's definition was formulated for the concept of "financing joint-stock companies through stocks". The author provides a description of the financing of joint-stock companies, based on the strategic goals of joint-stock companies and sources of funding. Scientific conclusions on the topic were also made.	stocks, joint-stock company (JSC), financing, IPO, issue, stock capital, stock market, corporate securities market.

Introduction:
The aim of the research is to develop an author's approach to the concept of "financing of joint-stock companies through stocks".

Introduction
In our research work on improving the financing of joint-stock companies through stocks, it is necessary to clarify a number of theoretical issues directly related to this topic, and ultimately develop our own definition. This step in the research process is very important. Because, first of all, we need to clarify what we want to improve in our article, what are the keywords or phrases of the topic of our article, what aspects we should emphasize in our research and what is the approach of our author in this regard. As a result, the theoretical and economic basis of our research work has been laid. As you know, the more solid and clear the theoretical fundamental research work, the more justified are the conclusions and proposals made on the basis of the author's own vision. That is why, in our opinion, it is important to note first of all, connected with the improvement of financing of joint-stock companies through stocks.
Our purpose in this regard, which is of theoretical importance, is to define the theoretical and economic essence of "financing of joint-stock companies through stocks." In our opinion, first of all, it is impossible to talk about financial indicators that reflect its position, without specifying "financing of joint-stock companies through stocks." In our country, the current state of financing joint-stock

companies through stocks remains difficult, and in the context of the strategic development of the economy, the improvement of financing joint-stock companies through stocks cannot be sufficiently scientifically and practically substantiated.

Research Methodology

In order to develop the author's approach to the concept of "financing of joint-stock companies through stocks" and scientific proposals, the article used such methods as generalization, grouping, systematic approach, analysis and synthesis, comparison, induction and deduction.

Literature Review

Joint stock companies are the main participants in the stock market. Joint stock companies are enterprises with a unique organizational and legal form, and in accordance with the current legislation of the Republic of Uzbekistan, a company can attract financial resources in order to expand, modernize, reconstruct and technical and technological re-equipment of its activities

To attract investment, joint-stock companies (corporations) issue equity securities (ordinary stocks), as well as debt securities (mainly corporate bonds). As an alternative source of capital raising, equities occupy the most important place among the available securities due to their wide distribution and unique characteristics.

Funding a joint-stock company by issuing stocks has a number of advantages. According to the Uzbek scientist I.L. Butikov, who has extensively studied the stock market, “The advantages of financing a joint-stock company by issuing ordinary stocks for the issuer are as follows [1, p. 6]:

1. If the enterprise is in the form of a joint-stock company, it will be able to mobilize much larger financial resources.
2. Lack of fixed financial payments.
3. Capital stability.
4. The risk of loss for the stockholder is limited by the value of the stocks.
5. Increasing the investment attractiveness of the company.
6. Popularization.

The practice of financing an enterprise through stocks is widespread throughout the world, especially in developed countries. According to economists I. Mirzaev and G. Tursunov, “Joint stock companies tend to find financial resources by issuing stocks, rather than taking loans to expand their activities (in international practice, large companies such as Samsung, LG, Kia Motors want to expand their activities, mainly through the issuance of stocks attract financial resources)» [2, p. 61].

In our opinion, the first source of financing for joint-stock companies is financing through the issuance of ordinary stocks. According to foreign economist Eddie McLaney, “Joint stock companies are financed in the following ways [3, p. 36]:

1) by issuing ordinary stocks;
2) by issuing preferred stocks;
3) through borrowing”.

In the economic literature, the main purposes of issuing stocks are:

- to provide a new enterprise with initial capital for the organization of joint-stock companies and business activities;
- attraction of additional funds (capital increase) in the process of economic activity;

- acquisition of another company;
- to attract a strategic investor capable of ensuring effective management of the enterprise, restoring or strengthening its position, making significant changes to the capital structure and company management;
- maintaining and strengthening control over the JSC.

For example, the main reasons for issuing stocks in the United States today are the following [4, p. 68]:
- financing the acquisition of other companies;
- decrease in the stock of borrowed capital in the total capital of the corporation;
- financing of capital investments.

As a result of the study, it turns out that economists have given a separate definition to the concepts of "joint stock companies", "stocks", "financing", but no separate definition has been developed for "financing joint stock companies through stocks".

Analysis and Results

In our opinion, first of all, it should be noted that "financing of joint-stock companies through stocks" has a complex theoretical and economic structure. The impossibility of expressing this concept in one word shows that it has a complex theoretical and economic essence. That is, the theoretical and economic essence of "financing joint stock companies through stocks" consists of the meaning expressed by words and phrases taken separately and expressed in the following sequence: "joint stock companies", "stocks", "financing" - "financing joint stock companies through stocks ".

Therefore, to determine the theoretical and economic essence of "financing joint-stock companies through stocks" it is necessary to determine the meaning of the words and phrases embedded in it. To do this, it is appropriate to refer to the relevant sources, in particular, to the Annotated Dictionary of the Uzbek Language, economic (financial) dictionaries, literature on corporate securities and legislation on joint-stock companies and the securities market. In the course of our study, devoted to clarifying the meaning of words and phrases referred to in the concept of "financing joint-stock companies through stocks", as a result of which we developed a comprehensive author's definition of this concept, the following was established. disclosed:

In the Law of the Republic of Uzbekistan "On joint-stock companies and protection of the rights of stockholders" a joint-stock company is defined as "a commercial organization, the authorized capital (authorized capital) of which is divided into a certain number of stocks, confirming the rights of stockholders in relation to the joint-stock company" [5.].

It should not be forgotten that the issues of "financing joint-stock companies through stocks" are studied on the basis of the subject of the study. The definition of "stock" is explained in the explanatory dictionary of the Uzbek language as "Stock (French action - security) - a security issued by a joint-stock company."

Also, according to the new version of the Law of the Republic of Uzbekistan “On the stock market”, adopted on June 3, 2015: “a stock is the right of its owner to receive part of the profit of a joint-stock company in the form of dividends, participate in the management of a joint-stock company, and also become part of the property remaining after its liquidation, is an emissive security with the name of the owner written on it, confirming the right to a part of it, with an unspecified validity period” [6.].

And finally, although the definition of the term "financing" is not given in the dictionary, the concept of "finance", which is considered the core of this word, is explained as follows: "it is taken from the

Arabic word and means money. 1. The totality of economic relations arising from the formation, accumulation, distribution and use of targeted funds, the system of formation, distribution, spending and use of funds. 2. Money held by a person, family, community, institution, organization or state" [7, p. 611].

However, in our opinion, the essence of these words is not enough to reveal the theoretical and economic essence of "financing joint-stock companies through stocks." Because the theoretical and economic essence of "financing joint-stock companies through stocks" cannot be derived from the direct addition of the meaning of the above words and phrases.

To do this, it is necessary to understand the theoretical and economic meaning expressed by the words "joint stock companies" - "financing of joint stock companies" - "financing of joint stock companies through stocks". Continuing our study, taking into account the above definitions, we turn to practice in addition to the theoretical literature on the financing of joint-stock companies through stocks. On the basis of all this, we have developed the described mechanism for the forms of financing of JSCs through stocks, depending on the goals and sources of financing (see Fig. 1).

From the data in Figure 1 it can be seen that the forms of financing of joint-stock companies through stocks include primary financing of joint-stock companies, financing through IPO, secondary financing from capitalized profits, additional financing based on closed subscription and financing through preferred stocks and securities convertible into stock.

When mentioning the initial financing of a joint-stock company, financial relations related to the formation of the initial authorized capital of the company are provided. In this case, the source of funding is the funds of the founders. The main role of stocks in the investment process is clearly defined when creating a joint-stock company. As a result of the initial issue of stocks and their subsequent distribution among the founders, the authorized capital is formed, which is the basis for doing business.

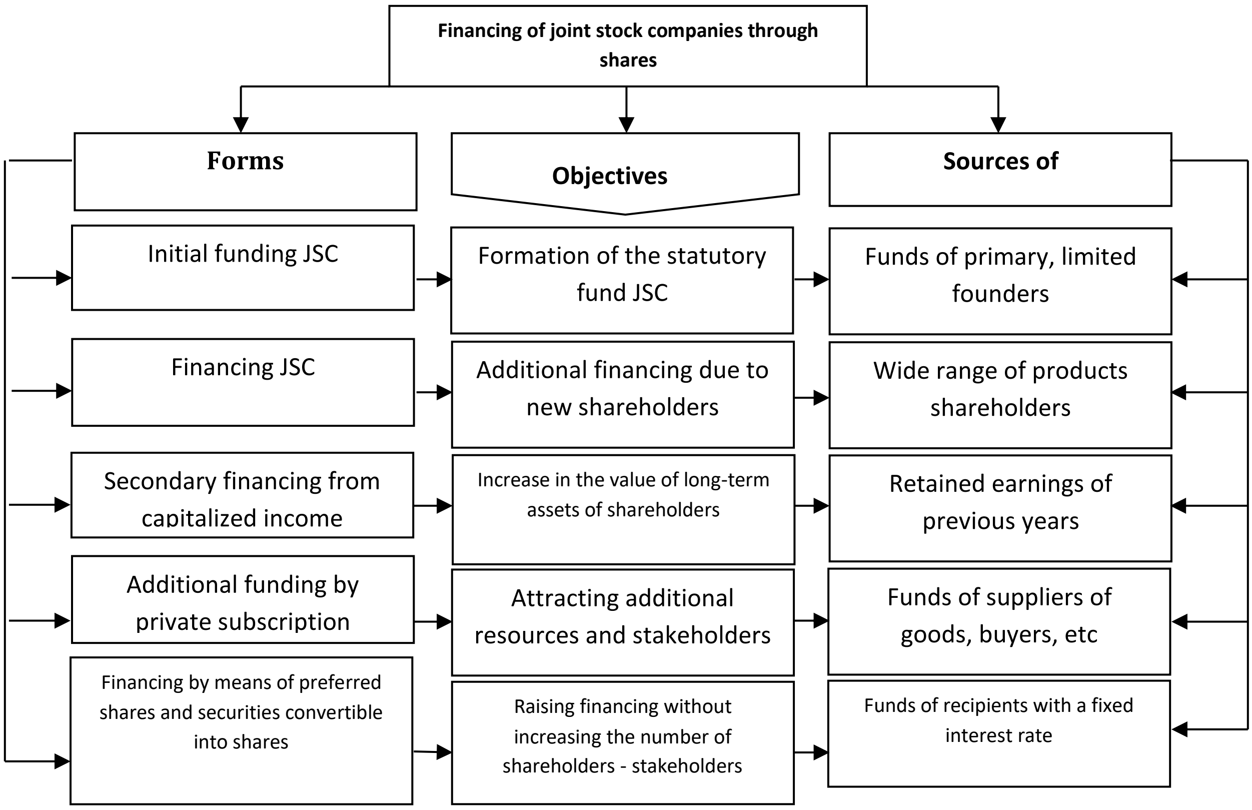

Fig. 1. Description of the forms of financing of JSC through stocks, depending on the goals and sources of funding [8, p.3].

Financing of joint-stock companies through IPO (initial public offering) is defined in the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 268 dated 05.10.2017 “On organizing a public offering of stocks on the stock exchange”. According to this decision, an initial public offering (IPO) is a placement of stocks by a joint-stock company (the initiator of the IPO) on the stock exchange among an unlimited number of investors. If a joint-stock company wants or needs additional large financing from new stockholders, it uses financing through an IPO. In this case, the source of financing is the funds of the general public of stockholders.

Secondary financing of joint-stock companies at the expense of capitalized profit means financing of joint-stock companies by reinvesting net profit. The purpose of this is to direct part of the net profit to the joint-stock company through reinvestment, and not through consumption. As a result, the value of one stock increases. Or, according to the legislation in force in our republic, additional stocks are issued to stockholders in proportion to their stocks.

Additional financing of joint-stock companies refers to relations associated with the issue and placement of additional stocks in order to increase the authorized capital or raise funds. The purpose of additional financing of joint-stock companies on the basis of a closed subscription is to attract additional resources and interested parties, including suppliers, buyers, etc. Funds will be additionally attracted on the basis of a closed subscription.

When financing joint-stock companies at the expense of preferred stocks and securities convertible into stocks, financing is carried out without increasing the number of stockholders-participants. In this case, the source of financing is the funds of recipients of fixed interest.

Conclusions

Based on the above analysis, we have drawn the following conclusions:

1. We have formulated the author's definition of " financing of joint-stock companies through stocks" as follows: financing of joint-stock companies by stocks - pre-financing of joint stock companies, financing through IPO, secondary financing from capitalized income, additional financing based on a closed subscription, and also, by providing financing through preferred stocks and securities convertible into stocks.

2. Our description of corporate finance, as shown in Figure 1, is based on the company's strategic goals and funding sources. Forming this image information, we not only defined the concept of "financing of joint-stock companies through stocks", but also expressed the description of this financing.

3. Undoubtedly, the widespread attraction of investments through equity financing contributes to the development of the stock market as an alternative source of allocation of free resources of enterprises, financial institutions and the population. At the same time, it represents promising directions for the development of the economy of Uzbekistan.

Bibliography:

1. Butikov I.L. Advantages and disadvantages of financing a joint-stock company by issuing securities. // Enterprise Management, 2012—No. 10 (64)—P.6.

2. I. Mirzaev., G. Tursunov. Effects of cooperation between the Uzbek and Korean stock exchanges. // Market, money and credit, 2015—No. 9—P.61.

3. Eddie McLaney. Business finance. Theory and practice. Publishing house "INFRA-M". - Moscow, 2008. - P.36.

4. Bocharov V.V., Leontiev V.E. Corporate Finance / St. Petersburg: Peter, 2004. -p.68.
5. Law of the Republic of Uzbekistan dated May 6, 2014 No. LRU-370 "On Joint Stock Companies and Protection of Stockholders' Rights", article 3.
6. Law of the Republic of Uzbekistan "On the securities market". Narodnoye Slovo, June 4, 2015, article 3.
7. Explanatory dictionary of the Uzbek language: more than 80,000 words and phrases. . J. II. E - M / Editorial board: T. Mirzaev (head) and others; Institute of Language and Literature of the Academy of Sciences of Uzbekistan. - T .: "National Encyclopedia of Uzbekistan" GNIZ, 2006. - P.611.
8. Chinkulov K. Functions of joint stock companies in the economy and improvement of their financing //Journal of Innovations in Economy. – 2021. – T. 4. – №. 8. – C. 26-34.