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ANALYSIS OF THE PRACTICAL SITUATION OF ATTRACTING INVESTMENTS TO THE ECONOMY THROUGH THE STOCK MARKET IN UZBEKISTAN

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Abstract: The introduction of this article provides some information that represents the role and role of the International Securities Market in the world economy. In addition, brief information is provided about the tasks set out in the regulatory documents adopted in our country for the development of the industry. The literature review presents the opinions and observations of foreign and domestic economists on the role of the securities market in the economy. The analysis and results section provides analytical data indicating the role of the securities market in the economy and the place of the securities market in the economy of Uzbekistan, and relevant conclusions are drawn on them. At the end of the article, proposals and recommendations for the development of the sector are presented.

Keywords: securities market, stock market, portfolio investments, securities in free circulation.

Introduction

International practice shows that in developed countries, the securities market (SM) is the main segment of the financial and credit system in attracting investments to the economy. In the global economy, instead of the international SM, it would be appropriate to focus on some figures, namely, according to the annual reports of the Securities Industry and Financial Markets Association (SIFMA), "at the beginning of 2024, the global stock market capitalization amounted to 115 trillion US dollars, and the total value of the global fixed-income securities market amounted to 140 trillion US dollars"[1]. From these figures, it can be seen that the role of SM in the economies of developed countries remains at a very high level today.

In the Republic of Uzbekistan, the head of state has set a number of tasks for the further development of the activities of the securities market of Uzbekistan, including increasing its role in the economy and radically improving the system of attracting investments through the stock market. In particular, in the 49th goal of the Decree of the President of the Republic of Uzbekistan No. PF-158 dated September 11, 2023 "On the Strategy "Uzbekistan - 2030"", the task of bringing the volume of freely traded securities to \$ 8 billion [2] was set.

The importance of the tasks set out in the above regulatory documents indicates the urgent importance of the work being carried out to further increase and strengthen the role of the State Budget in the economy of our country.

Literature review

Many economists have conducted research on improving the mechanism for attracting investments by increasing the role of the SM in the country's economy, as well as on improving the investment climate, and this research continues today. We aimed to present an analysis of the opinions of leading global and domestic economists on the need and importance of increasing the role of the SM in the national economy.

J.S. Coffey concluded in his research that market regulation is necessary to protect

investors and maintain the stability of the financial system[3]. This may be seen by other economists as a conclusion aimed at reducing freedom in the financial system, but it is an important aspect of ensuring the activities of investors and other entities in the financial system. P. Gomber and J.A. Koch, in their scientific research, have argued that technology is playing an increasingly important role in the securities market, changing the way investors trade, analyze data, and interact with each other[4]. According to the results of the World Economic Forum held in 2020, it can be noted that, according to international practice, the future of the securities market will be determined by technological innovations, changing demographics, global economic changes and the regulatory environment[5]. Other economists have concluded that good corporate governance can increase the market value of a company and reduce various intended or unexpected risks for investors[6].

One of the few economists who left a significant mark on the formation of the financial system in the CIS countries, especially in the Russian Federation, and who is recognized throughout the world, is Boris Borisovich Rubtsov. He recognizes the financial system as a complex, dynamic system influenced by many factors, including economic, political and technological factors. The securities market, in his opinion, plays a key role in the economy, providing financing for companies and investment opportunities for individual and institutional investors[7]. According to F.S. Mishkin, Central banks play an important role in ensuring the stability of the financial system and influence the securities market through their monetary policy. This opinion is also very well-founded, since the influence of monetary policy conducted by Central banks cannot but positively or negatively affect the functional functioning of the financial system[8].

Among local economists, I. Butikov is a well-known Uzbek economist specializing in privatization, corporate governance, and the securities market. Butikov pays special attention to the development of the securities market in Uzbekistan in his scientific works. In particular, he noted the need to improve the legislative framework, increase market transparency, develop infrastructure, and attract investments[9]. M. Khamidulin analyzes the factors affecting the attractiveness of Uzbek companies for foreign investors and proposes measures to improve their image and financial performance. He studies the opportunities and obstacles to the placement of shares of Uzbek issuers on international exchanges, and also gives recommendations on preparing companies for this process[10].

As a result of the above economists and other scientific research, it can be concluded that "The securities market is a special economic space created for issuers and investors, legal entities and individuals to carry out various transactions related to securities." Therefore, it is necessary to further improve the activities of the securities market, which is expected to become an important segment of the financial and credit system of our country.

Research methodology

Scientific abstraction, statistical observation, comparison, grouping, and induction and deduction methods were used in this research process. As a result of the study, proposals were made to improve the mechanism of investment attraction by further increasing the role of SM in the economy.

Analysis and results

As we emphasized at the beginning of this research work, it is an important issue to increase the role of SM in the economy, to further strengthen the necessity of the stock market in attracting investments to its branches. In Figure 1 below, we have summarized

the role of the SM in the economy.



Figure 1. The role of the SM in attracting investment in the economy

As can be seen from Figure 1, the stock market is located in the central part of the economic system as its core, and is reflected as the main economic space for attracting investments or receiving income from investors of various levels, including the state, institutional investors, business entities, and individuals and other legal entities.

In order to increase the role of the stock market in the economy of the Republic of Uzbekistan and assess the system of attracting investments through the stock market, it is appropriate to analyze some figures related to this segment of the financial market. In Figure 2 below, we present information on the capitalization of the stock market, which is an important segment of the stock market, and its share in GDP.

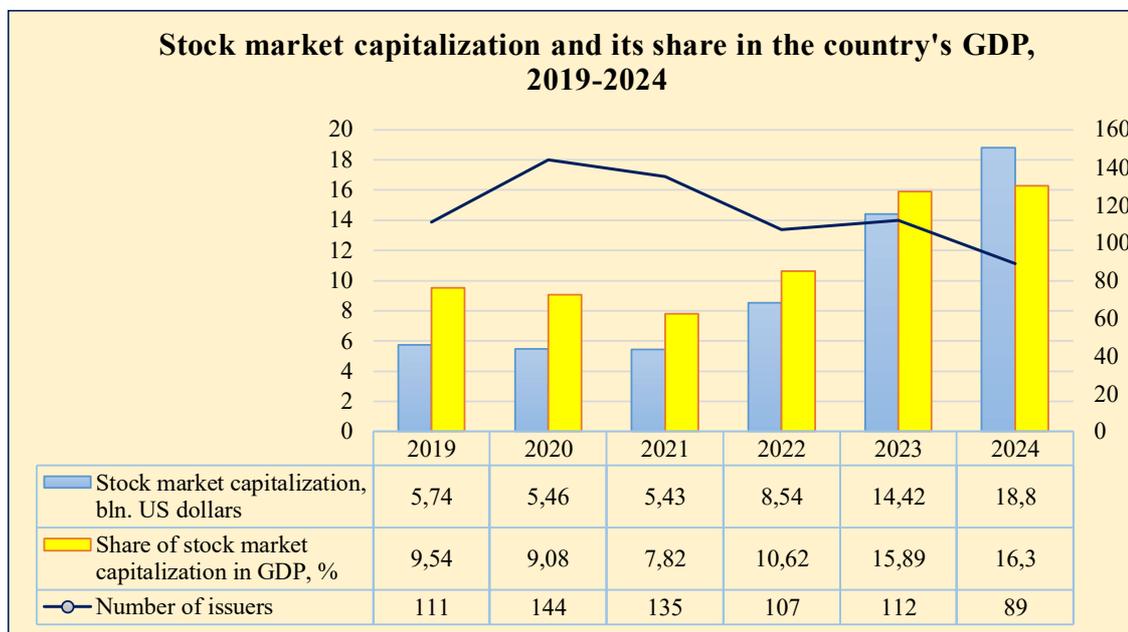


Figure 2. Trends in changes in the stock market total market capitalization GDP in Uzbekistan

As we can see from Figure 2 above, the capitalization of the stock market in our

country has increased by more than 3 times, reaching 18.8 billion US dollars by 2024, from 5.74 billion US dollars in 2019. The share of stock market capitalization in the country's GDP was 9.54 percent in the comparable period, i.e. 2019, and reached 16.3 percent by the end of 2024.

The Decree of the President of the Republic of Uzbekistan No. PF-6207 dated April 13, 2021 "On measures for further development of the capital market" set the task of bringing the total volume of freely traded securities to at least 5 percent of gross domestic product by 2023[12]. Free float, which is considered a modern category in world practice, is today interpreted as an international concept. The formula for calculating Free float in the Republic of Uzbekistan is given in Appendix 8 of the "Regulations on the Quotation Sheet of the "Tashkent" Republican Stock Exchange". According to it:

Free float = (number of common shares of the issuer+ number of preferred shares of the issuer) - StSH - CSH - SHi - SHI [11]

Among the elements listed in this formula, StSH is the share in the property of state, state and local government bodies; CSH - the share in the property of economic entities with a state share of 50 percent or more in the charter capital; SHi - the share of individuals who individually own 5% or more of the authorized capital of the Issuer; SHI - Limited circulation share (pledged securities realized under the REPO contract).

So, has Uzbekistan achieved positive results in the above-mentioned task in the SM? We will try to answer this question by presenting data on the market capitalization of freely traded shares in our country in Figure 3 below.

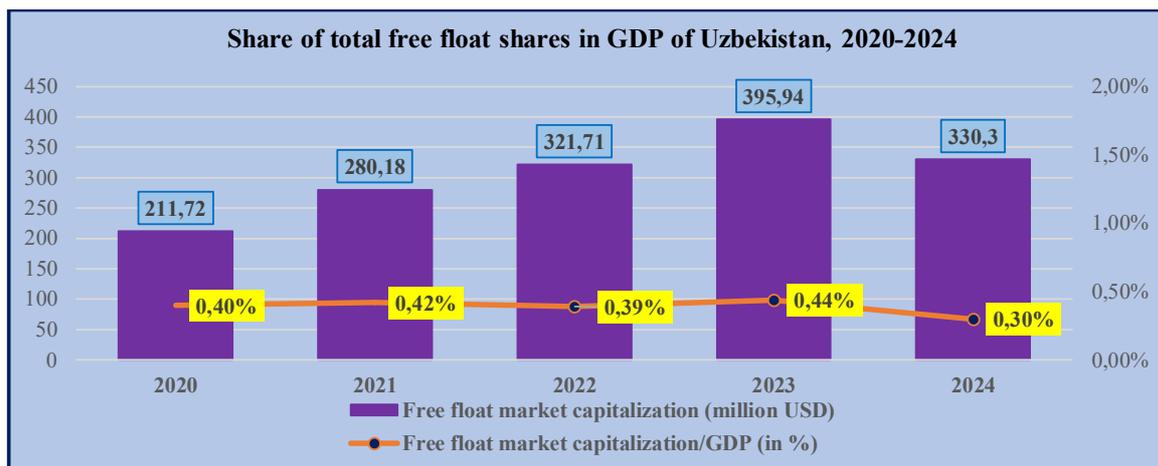


Figure 3. The share of free float market capitalization in the country's GDP in 2020-2024

Figure 3 shows the share of the market capitalization of free float shares in the country's GDP in 2020-2024, which exceeded 211.7 million US dollars in 2020 and amounted to 0.40 percent, exceeded 280.1 million US dollars in 2021 and amounted to 0.42 percent, almost 322 million US dollars in 2022 and amounted to 0.39 percent, and in 2023 and amounted to 395.9 million US dollars in 2023 and amounted to 0.44 percent, but in 2024 there was a decrease and amounted to 330.3 million US dollars and its share in GDP was 0.30 percent. As can be seen, the target was not achieved.

Table 1 below presents data on the current role of the private sector in the economy of Uzbekistan and its trends in change, from which we believe it is possible to draw some necessary conclusions. Because the attractiveness of the market also plays an important role in further increasing investors' interest in the country's private sector.

Table 1
The changing trends of the role of the PRC in the economy [13],
As of December 31

Indicators		Years									
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1.	GDP, trillion. Sum	221,35	255,42	356,45	473,65	594,65	668,03	820,53	995,57	1204,48	1454,57
2.	GDP growth, in %	107,2	105,9	104,4	105,6	106,8	101,6	108,0	106,0	106,3	106,5
3.	SM trade volume, bln. sum	161	299,8	298,4	687,9	438,66	578,15	1 260,51	4 816,21	2712,75	19 563,07
4.	In GDP, the share of trade turnover of GDP, in %	0,07	0,12	0,08	0,15	0,07	0,09	0,15	0,48	0,23	1,34
5.	Stock market turnover volume, bln. sum	153,5	227,8	92,3	433,15	250,77	504,38	1145,36	4705,79	2516,31	19134,40
6.	Share of share turnover in GDP, in %	0,07	0,09	0,03	0,09	0,04	0,08	0,14	0,47	0,21	1,32
7.	Bond market turnover volume, bln. sum	7,5	4,0	3,0	237,21	38,57	67,34	113,39	110,42	92,178	428,66
8.	Share of bond turnover in GDP, in %	0,003	0,002	0,001	0,050	0,006	0,010	0,014	0,011	0,008	0,029

**The volume of REPO operations is also included in SM's trade turnover..

Table 1 above shows that in 2015, the volume of trade turnover of SM in Uzbekistan amounted to 161 billion sums, while its share in the country's GDP was 0.07 percent. What is most surprising is that by the end of 2022, this figure did not even reach 0.5 percent. However, by the end of 2024, the trade turnover of SM amounted to 19.5 trillion sums, and its share in the country's GDP was 1.34 percent. As a result of the analysis, it can be said that despite the fact that the trade turnover of SM in our country increased by 121.5 times during the comparable period, we can also witness a high growth in the GDP. In the last 10 years, the turnover of the stock market has increased by 124.5 times, and the turnover of the bond market has increased by 57 times. Summing up on the basis of the above figures, it becomes clear that there are many issues that should be implemented in our country in terms of increasing the role of the stock market in attracting investments to the economy.

Conclusions and suggestions

In conclusion, the unstable geopolitical situation in the world is seriously affecting various segments of the financial and credit systems of various countries. Therefore, one of the main tasks facing our government is to further increase the role of the banking sector in the economy of many countries, including Uzbekistan. Because, despite the adoption of several regulatory legal acts on the development of this sector in recent

years, the role of the banking sector in the economy of our country remains very small.

In our opinion, it is advisable to put into practice the following recommendations related to further increasing the flow of investments through the further development of the securities market:

the existence of a state program for the strategic development of the national securities market. It will ensure the broad attraction of portfolio investments of institutional investors to joint-stock companies established during the privatization process;

accelerated privatization of state assets. The largest state-owned enterprises should be transformed into corporate enterprises, and their shares should be intended for sale to foreign investors on the world's leading stock exchanges;

an increase in the capitalization of the stock market. To achieve this, it is necessary to ensure its transparency and liquidity, and increase the powers of professional participants in the securities market.

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