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PROSPECTS FOR DEVELOPMENT AND IMPROVEMENT OF THE MECHANISM OF FUNCTIONING OF THE STOCK MARKET

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Abstract: The article analyzes modern trends in the development of the stock market of the Republic of Uzbekistan. The main problems hindering its development are considered. Solutions to some of the existing problems are presented, and priority areas for further development and improvement of the mechanism of functioning of the stock market are determined.

Keywords: financial market, financial market segments, stock market, securities market, bond market, corporate bonds, investments, financial resources, digitalization, banking sector, securities, bonds, financial instruments, increasing transparency, financial literacy.

Introduction. In recent years, the stock market of the Republic of Uzbekistan has demonstrated certain growth trends, although its scale remains small in comparison with the country's economy and foreign markets. It can be noted that the modern stock market of Uzbekistan is at the stage of formation. On the one hand, on the one hand, there are positive changes - an increase in the number of transactions, the emergence of new issuers and instruments (IPO, corporate bonds), the first steps of digitalization, gradual improvement of the regulatory framework. On the other hand, the scale of the market remains extremely small relative to the economy, institutional support is limited. The market is still characterized by insufficient liquidity, small capitalization and a narrow investor base, which indicates the need to continue reforms and stimulate the development of all areas of the stock market.

Methods. The research used methods of scientific abstraction, observation, generalization, grouping, comparative, correlation-regression analysis, economic-mathematical modeling and forecasting.

Results. The structure of the stock market of Uzbekistan is characterized by the predominance of the stock market with insignificant development of debt and derivative instruments. As of the end of 2022, the Central Depository recorded shares of 638 joint-stock companies for a total nominal amount of 166.76 trillion soums, but not all of these companies are actively traded on the stock exchange. The main volume of securities trading is in shares of individual large enterprises, primarily with state participation. Thus, in 2022, transactions with shares of the banking sector took first place in terms of volume - over 2.3 trillion soums, ahead of other industries. This indicates an imbalance in the industry structure market: financial and raw materials companies are more actively traded, while the share of high-tech, telecommunications and other private companies in exchange turnover is still small.

The corporate bond market is at an early stage of development: at the end of 2022, there were less than 1 million bonds of 28 issuers in circulation for a total of about 875 billion soums. The bond market is only a few percent of the stock market, and secondary

trading in debt securities is limited. Derivatives (futures, options) are virtually absent, with the exception of individual projects to launch futures, which have not yet attracted liquidity. Thus, the structure of the stock market of Uzbekistan is represented mainly by shares, with a very small share of bonds and the absence of derivatives, which narrows the opportunities for investors with different risk profiles.

In recent years, the increase in trading activity on the stock market is mainly due to the influx of retail investors into the market after the launch of new digital platforms. The maximum daily trading volume in 2023 was recorded on February 15 (584.3 billion soums), and the peak in the number transactions – December 18 (13.3 thousand transactions per day). These record values indicate that, given favorable news and placements, investors' interest in the market can increase several times over for a short time. However, in average annual terms, liquidity remains low: even 2.6 trillion soums of annual turnover correspond to only about 1.5% of GDP, which is extremely small. For comparison, in developed markets the annual volume of stock trading often exceeds half of GDP. Thus, the Uzbek stock market does not yet fully perform the function of effective redistribution of capital in the economy.

When analyzing investors in the stock market, it can be noted that only 2% of the population (about 0.77 million people) have open brokerage accounts, and this share has been declining over the past decade. For comparison, in 2011, the stock market penetration rate was 4.7% of the population, in 2016 – 3.0%, and by 2023 it dropped to 2.0%. In addition, about 80% of the registered accounts are inactive, since many were opened in the 1990s and early 2000s during mass privatization and have not been used since then. Thus, the real number of active retail investors in the country is about 150-200 thousand people, i.e. less than 1% of the economically active population. Low population involvement is associated with insufficient financial literacy, limited trust in stock instruments, as well as a long-term absence of precedents for successful investments. For comparison, in Kazakhstan there are about 0.90 million brokerage accounts (4.7% of the population), in Russia - up to 19% of the population have accounts (although about 10% actively use them). This emphasizes the significant lag of Uzbekistan in terms of the level of investment activity of citizens.

In order to attract and increase the activity of the population on a mass scale, as retail investors in 2022-2023, the first public placements of shares of companies such as JSC Uzbek Republican Commodity and Raw Materials Exchange (UzRTSB), JSC Qishloq Qurilish Bank, etc. took place. In total, in 2023, shares of 3 issuers were placed on the IPO exchange platform, the volume of capital raised was estimated to be over 100 billion soums. These IPOs have attracted significant interest from retail investors - for example, on the day of the placement of one of the companies alone, the number of transactions exceeded 12 thousand. Nevertheless, the potential of IPOs is still being used in a limited way: relatively small shares are put into circulation (usually 5-10% of the authorized capital), and the participation of institutional investors in the purchase is minimal, which is why the post-IPO dynamics of quotes are characterized by high

volatility. These observations indicate the need to improve the preparation of issuers for IPO, increase transparency and strengthen demand from long-term investors.

Discussion. One of the central aspects of improving the efficiency of the stock market is its digital transformation. The study shows that by the early 2020s, the level of technological equipment of the Uzbek stock market remained low: the basic processes of trading, clearing and settlement were not fully automated, investors' access to trading was hampered by bureaucratic procedures, and remote services were virtually non-existent.

A significant event was the launch of the Jet.uz mobile application (JET brand) in 2022 – the first mass platform for online securities trading in Uzbekistan. This application is integrated with popular fintech services and banking applications (Multicard, Zoomrad, MyUztelecom, DavrMobile, etc.), allowing a wide audience open a brokerage account and start investing remotely, without visiting brokerage firms. As a result, the launch of JET had a significant effect on the market: as noted above, the average daily number of transactions on the exchange increased more than 5 times in 2023. This indicates an influx of new private investors who previously did not have the opportunity to easily trade shares. In fact, digitalization has lowered the threshold for entry into the stock market for the population, simplifying the account opening procedure to a few minutes and providing a user-friendly interface for transactions. The emergence of Jet.uz can be compared to the influence of similar platforms in other countries, where the development of mobile trading has stimulated a boom in retail investments (an example is the US experience with Robinhood, Russia with Tinkoff Investments, etc.).

However, as statistical analysis has shown, the increase in the number of transactions was accompanied by a paradoxical decrease in the average transaction volume and the total trading volume. After the launch of the mobile application in 2023 the average daily volume of transactions decreased by 43.9% compared to 2022, and the average daily number of securities traded by 22.6%. This is explained by the fact that small investors who make small transactions entered the market. If previously the turnover was formed mainly by large block transactions (for example, block sales of government shares), now now the share of retail transactions for small amounts has increased. Thus, digitalization has led to an increase in activity, but has not yet provided an equivalent increase in liquidity in monetary terms. However, this result cannot be assessed negatively: expanding the participant base is a necessary condition for the revival of the market, and in the long term, the involvement of the masses investor creates the preconditions for capitalization growth.

Digital transformation affects not only the trade sphere, but also related infrastructure elements: settlements, depository, information disclosure. In Uzbekistan, work is underway to create a single electronic register of securities owners and its integration with trading systems, which will allow investors to see their portfolios and transaction history online. In addition, the regulator (Agency for Capital Market Development) has begun implementing mechanisms for remote identification of investors through biometric technologies, which facilitates the opening of accounts

online. The possibility of using blockchain technologies for accounting of property rights to securities and conducting settlements is being considered. In particular, blockchain can ensure the immutability of registers and accelerate the implementation of corporate actions (payment of dividends, voting shareholders). The first pilot projects in this area are already being implemented, although they have not yet reached the mass level. It can be predicted that in the coming years, digital innovations will become the driver of the development of the national stock market. For example, the further development of the Jet.uz platform and similar applications can attract hundreds of thousands of new investors, especially among young people who are accustomed to mobile technologies. The emergence of financial services marketplaces – single digital platforms where investors can buy various instruments (shares, bonds, fund shares) – can also stimulate competition and improve service. In addition, it is important continue to work on cybersecurity and investor protection in the digital environment to strengthen trust in online trading.

Conclusion & Recommendations. In this regard, a set of practical recommendations has been formulated aimed at overcoming the identified barriers and ensuring progressive development of the stock market of Uzbekistan:

1. Digitalization and technological renewal of the market should become a priority for the development of the capital market. It is necessary to expand the functionality of existing online platforms and create new ones digital services for investors.

2. Automation of clearing and settlements will reduce the settlement period for transactions (transition to T+1 or T+0 mode), which will increase the turnover of capital.

3. Simplifying the procedure for opening a brokerage account, for example online for citizens through integration with state identification systems (Single Portal, biometrics) will allow for increased public participation in the stock market;

4. The creation of a single information portal for the stock market will increase the number of analytical materials, news, and stock exchange data disclosed by issuers in real time;

5. The use of artificial intelligence will facilitate the implementation of AI technologies in the control and monitoring of transactions for suspicious activity, as well as stimulate the creation of AI tools for investors in the form of automatic analysis of company reports and news.

The state should continue reforming the legislation on the capital market, focusing on the best international standards (IOSCO, IMF principles, etc.), for this it is necessary to:

strengthen the requirements for corporate governance of public companies, in the direction of conducting a transparent dividend policy, regular disclosure of information according to international standards (IFRS, GAAP), introduce strict liability for concealing material information or distorting reporting.

For further development of the bond market, it is necessary to: simplify the registration of bond prospectuses, especially for private medium-sized companies. Introduce standardized typical terms of issues to reduce costs. Stimulate the creation of

trading platforms for bonds, including with market makers, and provide tax preferences to investors investing in corporate bonds.

To implement new financial instruments, it is necessary to develop a regulatory framework for launching futures contracts on the stock index of Uzbekistan or the most liquid shares, as well as options. The presence of derivatives will allow hedging risks and attract more advanced players to the market.

The national stock market should not develop in isolation; on the contrary, integration into the global financial space will accelerate its growth. The following steps are proposed for this purpose:

develop partnerships between the Republican Stock Exchange "Tashkent" and foreign exchanges. For example, study the possibility of connecting to the "Stock Connect" system with one of the neighboring financial centers (Kazakhstan – AIX or Russia – Moscow Exchange, and in the future even more distant ones – like Shanghai or Istanbul). This would allow foreign investors to trade Uzbek shares through their usual infrastructure, and domestic investors to invest in foreign securities. Similar programs have proven their effectiveness by expanding the circle of market participants;

the regulator should engage in dialogue with global index agencies (MSCI, FTSE Russell) to include Uzbekistan in the category of "emerging markets" and to include Uzbek shares in the relevant indices. Even a few liquid securities included in the MSCI Frontier or Emerging Markets index will lead to an influx of funds from index ETFs and funds that are required to invest in index components;

it is necessary to establish an exchange of experience between Uzbek regulators, the exchange and colleagues from countries with developed markets. Participation in international organizations (FEAS - Federation of Euro-Asian Stock Exchanges, IOSCO, etc.) will help to adopt best practices in regulation and technology. Conducting joint conferences, trainings, and internships for exchange personnel and brokers will speed up the implementation of innovations.

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