

**THE PROBLEMS OF STOCK MARKET TURNOVER**

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E-mail: kahramon114@yahoo.com**ABSTRACT**

The article analyzes the volume of the total issue of stocks and the dynamics of exchange turnover, compares the share of exchange turnover in GDP in Uzbekistan and abroad, indicates the reason for the low liquidity of the exchange, developed scientific and practical conclusions and proposals.

Keywords: stocks, joint-stock company, IPO, SPO, issue, share capital, stock market, securities market, financial market, exchange turnover.

Introduction

Although the first joint-stock companies in the world appeared in the 17th century, their active development coincided with the second half of the 19th century. In our republic, the creation of joint-stock companies began after gaining independence, and since 1994, great importance has been attached to the privatization of state property and the creation of joint-stock companies.

At the level of the head of state, attention is paid to a sharp increase in the turnover of the stock market. In particular, the "New Development Strategy of Uzbekistan for 2022-2026" was adopted by the relevant decree of the President of the Republic of Uzbekistan. The 27th goal of this strategy is: "In order to increase financial resources in the economy, increase the turnover of the stock market from 200 million US dollars to 7 billion US dollars in the next 5 years, gradually liberalize the movement of capital in our country and sell large enterprises and their shares including privatization through the stock exchange" defined [1].

Although the importance of joint-stock companies in the national economy is great, the dynamic analysis of subsequent years confirms that their contribution to the gross domestic product is declining; Despite the observed growth rates, the fact that it is at a low level compared to the GDP growth rate creates the need for decision-making aimed at their sustainable economic development [2].

As we know from practice, the stock market occupies the most important place in the structure of the stock market. Unlike other securities, shares represent ownership of property. Analyzing the dynamics of this financial instrument, we can see whether property relations have increased or decreased.



Literature Review

According to foreign economist Ya.M. Mirkin, “The main purpose of the stock market is to finance economic growth and innovation. Stock market should become a mechanism for attracting investment in the real sector” [3.].

According to U.R. Khalikov, “Today, the concept of “stock market” is considered as a financial category, but in terms of importance it is part of the world economy. is one of the factors directly affecting its stability” [4.].

The stability of market relations in the country can be assessed through the securities market (SM). "... depending on the state of the stock market, one can think about the extent to which the decision-making process of market relations becomes active" [5.].

According to I.L. Butikov “However, today we must admit that we have not been able to create a perfect, actively developing stock market that can compete with foreign stock markets, and with other segments of the financial market within the country.” [6].

Also, I.L. Butikov believes that the stability of market relations in the country can be assessed through the stock market. “Under the current conditions, the national economy is not only an instrument that reflects the state of economic development, but can also serve as a financial instrument for a significant rise in the country's economy in a short period of time” [7.].

It should also be noted that, according to Ya.M. Mirkin, the level of capitalization of shares is directly related to the level of monetization in the country. “In order for the level of capitalization of shares in the country to be at least 10-15% of GDP, the level of monetization must be at least 30-35% of GDP” [8.].

According to foreign economist A.A. Abgaryan, “The indicator indicating the level of capitalization of joint-stock companies is considered as a criterion indicating the market competitiveness of the country's economy. Because this indicator contains important information about the state of the equity capital market” [9.].

Therefore, we can also analyze the current state of the turnover of the stock market of the Republic of Uzbekistan and give a real assessment of the state of the country's securities market.

Research Methodology

In order to develop scientific proposals and practical recommendations on the current state and dynamics of the stock market turnover, the article used such methods as generalization, grouping, systematic approach, analysis and synthesis, comparison, induction and deduction.

Analysis and Results

On Fig. 1 shows the total capitalization of the stock market and the ratio of the total market capitalization of the stock market to GDP in 2020-2022.

According to Figure 1, the total market capitalization of the stock market of our republic in 2022 amounted to 11.33%. While the world average for this indicator is 117.7% [11.]. Therefore, we cannot positively evaluate the current state of the capitalization level of the



stock market. Because today the level of capitalization of joint-stock companies (JSC) of our republic is 10 times lower than the world average in this regard.

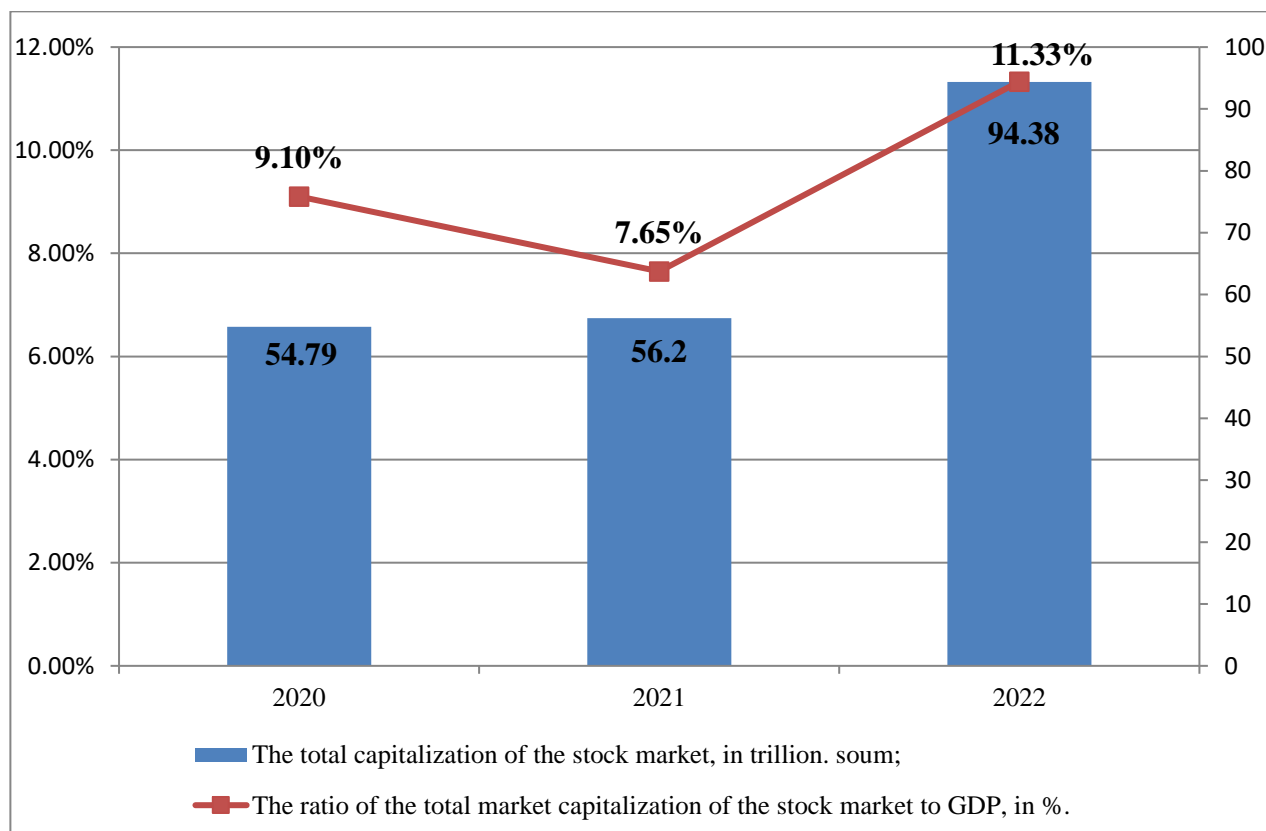


Figure 1. Total market capitalization of the stock market in 2020-2022, in trillion soum [10].

Also, although the issuance of shares tends to increase, the share of the stock market is very small. This can also be seen from the data in Table 1.

Table 1. Comparative indicator of GDP, the volume of the total issue of shares and the dynamics of the stock market turnover [12.]

INDICATORS	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
The volume of GDP, in trillion soum	144,55	177,15	210,18	242,49	302,54	406,65	510,12	580,20	734,6	888,34
The total volume of share issue, in trillion soum	10,25	12,72	16,55	30,46	48,63	59,40	99,20	149,50	153,10	166,74
Amount of exchange turnover, in billion soums	93,2	97,6	161,0	299,8	298,6	687,3	438,82	578,15	1260,5	4816,2
Share of exchange turnover in GDP, in %	0,06	0,06	0,08	0,12	0,10	0,17	0,09	0,10	0,17	0,54
Share of exchange turnover in the total volume of issue, in %	0,91	0,77	0,97	0,98	0,61	1,16	0,44	0,39	0,82	2,88

From the data in Table 1 shows that the share of stock market turnover in GDP was very small and increased over the period under review from 0.06% to 0.54%. However, according to the World Bank, this figure is 133.8% in South Korea, 27.1% in Japan, 48.7%



in Turkey, 43.8% in Germany, 39% in the Russian Federation, 29% in Kazakhstan, 7% in Belarus [13].

Although the total volume of shares issued in our country tends to grow, in 2022 it will reach 166.74 trillion. UZS, the turnover of these shares on the stock exchange fluctuated for a number of years between 0.39% and 2.88%. In other words, only 2.88 percent of the total issuance of shares will be traded on the exchange in 2022. This is a very low figure. Of course, we cannot evaluate this situation positively.

According to the author, the main reason for the very low share of exchange turnover in relation to GDP and the total volume of emission is the extremely high share of the state in the authorized capital of JSCs.

As of January 1, 2023, the state's share is 85.3%, including the share of economic management bodies in the authorized capital of JSC [7.]. That is, we can say that 85.3% of the authorized capital is under the control of the state, in a "frozen" state. It cannot be a freely traded resource for the stock market. 4.7% of the shares are in the process of placement. Only 10% of the shares belong to other shareholders. Theoretically, only 10% of the authorized capital of a JSC of our republic can be a freely tradable resource on the stock market. In practice, as mentioned above, the stock market turnover is much lower (the share of the stock market turnover in the total issue volume in 2022 was only 2.88%).

We cannot evaluate this situation positively. It is more beneficial for the economy of our country if the share of state and economic management bodies decreases in the number of JSCs and in the authorized capital, while the share of private investors, on the contrary, increases.

Also, according to the results of studies conducted in the world, the efficiency of large public and mixed corporations is much lower than that of private corporations.

In this regard, it is important to find and implement the "golden mean". That is, it is necessary to choose such a level of the state's share that, on the one hand, the interests of the state are taken into account, and on the other hand, the effectiveness of the JSC's activities should be ensured.

Studies have shown that the main cause of stock volatility is an unsustainable share capital structure. Most of the shares belong to state and economic management bodies. A radical reduction in the state's share in the authorized capital of JSCs will help solve this problem. Decree of the President of the Republic of Uzbekistan dated January 17, 2022 No. PP-90 "On additional measures to introduce effective mechanisms to support the capital market" was adopted. According to this decision, from April 1, 2022, local issuers have been granted the right to place their shares on foreign stock markets or simultaneously on local and foreign stock exchanges on the recommendation of the underwriter after the initial placement of their shares on RSE 'Tashkent'. Of course, we hope that this decision will facilitate an international IPO or SPO.

Conclusions and Offers

In general, as a result of the study, the following conclusions and proposals were made:



1. In the "New Development Strategy of Uzbekistan for 2022-2026", it is determined to increase the turnover of the stock market from 200 million US dollars to 7 billion US dollars by the end of 2026. At the end of 2022, the turnover of the stock market will amount to 429 million dollars (according to the analysis of the stock market for 2022, the turnover of the stock market in 2022 amounted to 4 816 billion soums, 1 US dollar - 11,225.46 soums). So, in this regard, reaching the volume specified in the Development Strategy requires decisive efforts from us.

2. The share of exchange turnover in the GDP of Uzbekistan has a growing trend and at the end of 2022 amounted to 0.54%. However, according to the World Bank, this figure is 29%, for example, in neighboring Kazakhstan.

3. According to the results of our study, the main reason for the inactivity of shares on the stock market of our republic (low turnover of the stock market) is the unreasonable composition of the total authorized capital. Most of the shares belong to state and economic management bodies (85.3% as of January 1, 2023) and cannot be circulated at all.

4. In our opinion, the reduction of the state's share has a positive effect on the increase in the turnover of the stock market and the development of the secondary market. To this end, as a result of the placement of shares (blocks of shares) of state and economic management bodies through an initial public offering (IPO) and sale through a secondary SPO, the state's share in the economy will decrease, while the share of private investors will increase. Ultimately, as we noted above, the reduction of the state's share will create the possibility of increasing the turnover of the stock market.

However, it is fundamentally important to pay special attention to the transparent and fair conduct of privatization.

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