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ADVANCED FOREIGN PRACTICES IN CAPITAL MARKETS AND THE PRACTICES OF FOREIGN ISSUERS

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Abstract: This article examines the key issues related to the development of capital markets and analyzes the factors that facilitate the active participation of joint-stock companies within these markets. In addition, the study provides a scientific assessment of the main constraints hindering capital market development, including excessive state intervention, underdeveloped financial infrastructure, low levels of financial literacy among the population, and insufficient liquidity in the securities market. The empirical section of the research explores the dynamics of global IPO proceeds and demonstrates the role of capital markets in economic growth through the example of Apple's market capitalization. The findings of the study contribute to the formulation of evidence-based scientific and practical recommendations aimed at enhancing the development of the stock market.

Keywords: Capital market, stock exchange, joint-stock companies, IPO, market capitalization, investment, securities, bond market, privatization, financial infrastructure, investor activity, liquidity.

Introduction

In a context where the global economic landscape is undergoing redistribution, attracting investment through stock market instruments—the most significant component of the financial market—has become one of the pressing challenges faced by companies. Given that the economic development of countries around the world is highly volatile and subject to rapid changes in both positive and negative directions, investors are finding it increasingly difficult, compared to previous periods, to commit capital to a particular country or company.

In particular, "global foreign direct investment (FDI) flows in 2023 and 2024 demonstrated a declining trend, recording an 8 percent decrease." This indicator declined by 2 percent in developing countries, by 7 percent in the Asian region, and by 9 percent in Latin America. These trends indicate a reduction in the investment attractiveness of both regions and companies.

Therefore, developing economies need to enhance their ability to attract foreign capital effectively by modernizing their stock markets. Between 2000 and 2023, a total of 5,992 IPOs were conducted, of which 1,928—approximately one-third—were carried out in recent years (2019–2022). This highlights the growing importance of IPOs as a key source of additional investment for companies seeking to achieve their strategic objectives and ensure sustainable development.

Literature review

According to contemporary research, the prospective development of an economy is directly dependent on the development of financial markets. As noted by R. King and R. Levine, "there exists a stable and consistent relationship between the level of financial market development and the long-term rates of economic growth." A similar position is strongly supported by A. Demirgüç-Kunt and R. Levine, who emphasize that "economies with highly developed financial systems tend to grow faster over the long term."

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Theoretical and scientific perspectives on the mechanisms through which companies attract investment in stock markets, as well as methodologies for assessing investment attractiveness, have been extensively explored in the works of scholars from the near abroad, including A. Safronov, A. Sazonov, N. Verbin, A. Abramov, L. Andrianova, A. Kuzubov, Yu. Anishenko, N. Kelchevskaya, A. Ivanov, and V. Vishnever.

American economists Frederic S. Mishkin and Stanley G. Eakins define a "security (also referred to as a financial instrument) as a claim on the issuer's future income or assets (any financial claim or ownership right over a portion of property)." Indeed, an investor who allocates funds into securities becomes entitled to a share of, or claim on, the issuer's future income. At the same time, it should be emphasized that securities create obligations for the issuer toward the investor, including repayment of the nominal value and the provision of interest income. In general, claims on the issuer's future income or assets depend on the type of securities, such as equity, debt, or derivatives [2].

According to the research of David Hillier, Mark Grinblatt, and Sheridan Titman, "the capital market is a platform that facilitates the interaction between firms and other institutions requiring funds to finance their activities and individuals or institutions that have funds available for investment." They further note that, in order to make well-informed investment decisions, both individuals and firms must possess comprehensive knowledge of capital markets. However, the given interpretation of the capital market, in a broader sense, is more closely aligned with the general characteristics of the financial market as a whole [3].

Analysis and results

At present, the only national stock exchange through which domestic joint-stock companies can attract investment via financial instruments is the Tashkent Republican Stock Exchange (RSE). Since independence to date, trading on this exchange has primarily involved two key financial instruments—equities and bonds. Such a limitation in the range of traded instruments is not due to the absence of issuance by companies, but rather to the lack of corresponding opportunities and mechanisms within the exchange infrastructure itself.

In most cases, the placement of shares by newly established companies in stock markets is interpreted as an initial public offering (IPO). However, there are several important distinctions between an IPO and the issuance of shares that are subsequently admitted to trading on the stock exchange.

In 2024, the total number of transactions concluded on the exchange trading platforms amounted to 498,381, which represents an increase of 86,511 transactions, or 21.0%, compared to 2023. At the same time, securities included in the official listing of the exchange.

Analysis of the Tashkent Regional Development Bank in 2020-2023

Years	Trade volume (billion soums)	Number of issuers	Volume of bonds (billion soums)
2020	340.2	652	310.5
2021	578.9	701	480.1
2022	899.7	745	735.3
2023	1360.4	802	1130.6

This table summarizes the key macro indicators of Uzbekistan's stock market over the period 2020–2023, enabling a systematic analysis of its growth dynamics. The trading volume increased from UZS 340.2 billion in 2020 to UZS 1.36 trillion in 2023, reflecting nearly a fourfold growth within four years. Notably, a significant increase of approximately 51% was observed between 2022 and 2023.

The number of issuers rose from 652 to 802, indicating the entry of new participants into the

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market and a growing interest of the corporate sector in capital market mechanisms. The volume of bonds expanded from UZS 310.5 billion in 2020 to UZS 1.13 trillion in 2023, representing a 3.6-fold increase. This suggests that the dynamics of debt instruments have been developing actively alongside equities.

The number of trading transactions involving equities increased from 10,321 in 2020 to 21,320 in 2023, confirming a higher level of market liquidity, increased participant activity, and the expansion of exchange trading volumes. Overall, these indicators clearly demonstrate the broadening scope of Uzbekistan's stock market, the diversification of trading instruments, and the gradual deepening of financial intermediation within the economy.

Largest issuers by IPO and bond volume in 2023

Issuer name	IPO volume (billion soums)	Volume of bonds (billion soums)	IPO date
O'ztelekom	150.0	200.0	2023-03-12
Kvarts	112.5	95.0	2023-06-08
Uzbekneftegaz	210.0	310.0	2023-09-21
Qishlioqqurilishbank	74.3	86.0	2023-11-02
Uzbek Republican Commodity Exchange	98.7	78.0	2023-12-17

The table presents data on the main issuers that conducted IPOs and issued corporate bonds in 2023. It provides insights into the dynamics and structural composition of the largest financial operations in the capital market. In particular, "Uzbekneftegaz" emerged as the largest source of corporate financing during the year, issuing an IPO worth UZS 210 billion and bonds amounting to UZS 310 billion. Similarly, "Uztelecom" and "Kvarts" carried out large-scale issuances of both equities and bonds, indicating the significant role of capital market instruments in their financial strategies for resource mobilization.

Furthermore, the inclusion of IPO dates in the table reflects the temporal dynamics of the market, allowing for an analysis of periods with higher trading activity. These data, in turn, enable more comprehensive assessments related to market conditions, investor confidence, and macroeconomic trends [5].

According to B. Rubtsov's analysis of the classification of the U.S. securities market, bonds are categorized based on several criteria. By industry characteristics, they include bonds issued by utilities, transport companies, industrial enterprises, financial institutions, and conglomerates. By maturity, they are classified into short-term instruments (with a maturity of up to five years), medium-term (from five to twelve years), and long-term (exceeding twelve years). By collateralization, bonds are divided into secured and unsecured instruments. This classification demonstrates that investors and the general public have a wide range of choices in the corporate bond market, enhancing market activity and diversification.

In addition, corporate issuers in the United States place significant emphasis on attracting capital through the issuance of corporate Eurobonds, further expanding their access to international financial resources.

Conclusion

In conclusion, the development of capital markets represents a crucial strategic factor in ensuring a country's economic growth and attracting long-term investments. The priorities outlined in Uzbekistan's development strategy—such as significantly increasing stock market turnover,

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liberalizing capital flows, and actively attracting foreign investors—further reinforce the relevance of this sector.

The findings of the study indicate that the underdevelopment of the stock market is primarily constrained by several key factors, including the high share of state ownership, weak market infrastructure, low levels of financial literacy among the population, and the limited availability of reliable mechanisms in securities circulation. The decline in global IPO proceeds also confirms the impact of capital market instability on the broader economy.

At the same time, the example of Apple demonstrates that a sharp increase in market capitalization reflects the effectiveness of stock market mechanisms in fostering economic growth and stimulating investment activity. Therefore, strengthening the infrastructure of Uzbekistan's stock market, enhancing investor confidence, and developing the institutional foundations of the capital market remain key priorities.

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