

# Development of Stock Market in Uzbekistan

Saydaliyeva Lazizakhon,  
Maksudov Temurkhon Rustamovich

Students of TSUE, Faculty of Corporate Governance

Email: lazizasaydaliyeva@gmail.com  
Temurkhonmaksudov1@gmail.com

**Abstract:** The concept of the stock market appeared as early as 1791 in Philadelphia. The main stock markets in Europe in the early 19th century were the London and Frankfurt stock exchanges. Such concept, as stock market was developing rapidly, and in 1991, stock market appeared in Uzbekistan. It was in 1991 that the first stage of development of the stock market began and the development continues to this day.

**Key words:** stock markets, Uzbekistan

## Introduction

Every day the economy develops and new branches appear. The concept of the stock market appeared as early as 1791 in Philadelphia. The main stock markets in Europe in the early 19th century were the London and Frankfurt stock exchanges. Such concept, as stock market was developing rapidly, and in 1991, stock market appeared in Uzbekistan. It was in 1991 that the first stage of development of the stock market began and the development continues to this day.

### 1. Economic development and the concept of the stock market.

Over the past 30 years, the economy of Uzbekistan has been developing rapidly, including the stock market. The stock market is a place where the trading of securities, shares, assets and currencies takes place. Development of stock market is directly connected with development of market relations. The development of the stock market has six stages. Let us discuss all these stages in this paper.

### 2. Stages of the stock market development.

#### *First stage (1991-1993)*

The initial stage of the stock market development is directly connected with the beginning of market relations in economy as well as with the creation of the stock market in Uzbekistan. Commercial banks became one of the first representatives of institutional investors at the arising stock market of Uzbekistan.

At this stage, the first institute of the securities market - the Stock Department of the "Toshkent" Republican Commodity and Stock Exchange appeared. This stage can be characterized as a negative experience of participation in the market, as an issuer.

At the beginning of 1992, we issued government bonds of 12% domestic winning loan. However, immediately after the issue, galloping inflation began, which was caused by the collapse of the USSR.

The first stage was marked by the formation of stock market participants, viz:

- issuers;
- professional participants;
- bodies authorized by the state to manage the market;
- institutional and individual investors.

The first stage of the stock market introduces the attestation of individuals, i.e. professional participants of the securities market. Also, it should be added that at the first stage the law in the sphere of regulation of securities of Uzbekistan was adopted.

#### *The second stage (1994-1996)*

During the second stage, the rapid development of the securities market of the Republic of Uzbekistan was noted. In March 1996 for the first time was issued a bond loan for organizations and enterprises in the format of state short-term enterprises (GKO). In the second stage (it is often characterized as a stage of accumulation) the main laws in the sphere of regulation of the domestic stock market were adopted.

At this stage the depositary system was formed, as well as the class of interlocutors, i.e. individuals and legal entities. In 1994, the basic institutions of securities market infrastructure were formed, namely: The

Republican Stock Exchange called "Toshkent", the national state depository "VAKT", stock stores, and a network of brokerage offices.

It was during the second stage that the stock market accounting system was created. This accounting system should provide for accounting of owners of capital, who have pre-agreed rights and obligations with respect to the user of the issuer.

The development of the above system can be divided into three periods:

The first Period.

In the first period, in 1994, the Resolutions of the Cabinet of Ministers "On measures to ensure the effectiveness of the RFB Toshkent" were issued. In the above-mentioned decree, the beginning of the creation of the first institution in the stock market was laid down.

The second period.

This period is connected with the Law of Ruiz "About the activity of securities depositories", which was held in 1998. The Resolution of the Cabinet of Ministers "On the Issues of Organization and Activity of the Central Securities Depository" had influenced the creation of 2-tier depository system which consisted of the Central Securities Depository and depositories of the second level.

The third period.

During the third period, the accounting system continued developing due to the Resolution of the President of the Republic of Uzbekistan on "Measures for further development of the securities market".

*The third stage (1997-2000)*

This stage is characterized as the assurance stage. The third stage saw:

- development of the Government Short-Term Bond (GKO) Market;
- strengthening of the role of securities as an instrument of repayable value movement;
- the OTC securities market was organized.

*Fourth stage (2001-2007)*

The fourth stage is referred to as the control stage. During the fourth stage, the development of the over-the-counter stock market slowed down. However, it should be added that new market segments were developed, namely: corporate bonds, certificates of deposit, as well as state bonds of the Central Bank and state medium-term treasury bills (STBs).

*Fifth stage (2008-2018)*

This stage is referred to as the management stage. During the fifth stage there were reanimations of the over-the-counter market. There was the introduction of new financial instruments, the revival of promissory notes, the tightening of bond issuance conditions.

*The sixth stage - the present stage (2018-present)*

This stage should be characterized as a turning point in the institutional formation and, accordingly, in the further development of the stock market.

### **3. Factors of market development.**

The following factors determine the course of development of the stock market in Uzbekistan:

- 1) privatization of state organizations and issues in circulation of shares of privatized organizations.
- 2) formation of share capital in the creation of new joint stock companies without state participation;
- 3) problems related to non-payments and in this connection, appearance of promissory notes in circulation
- 4) development of financing of the state budget deficit.
- 5) lack of working capital sources for organizations.
- 6) high rates of development in the sphere of banking, as well as the issue of specific bank securities - certificates of deposit for the formation of bank liabilities.
- 7) growth of the level of savings of the organizations, striving to preserve and increase these savings.
- 8) Inflow of foreign capital to Uzbekistan.

### **4. Current trends.**

To begin with, at this point in time, the stock market has been reanimated, the issue of securities has been discontinued since 2011. However, it should be added that in world practice, this type of securities is used as implementation of the main state investment programs. We are talking about those programs, the conclusion of which has a social orientation, and not only in the case of the need to cover shortfalls in the government budget.

Further, it should be noted that the impetus was given to expand the probability of issuing corporate and infrastructure bonds. The Decree of the Director of the capital market institution of Uzbekistan introduced amendments to the "Rules of Securities Issue and State Registration of Issues of Equity Securities".

### **Conclusion**

The stock market is a complicated part of the economy. The stock market is present in every country and develops at its own pace. Despite the fact that the stock market appeared in Uzbekistan not so long ago, namely in 1991. Since the moment of independence, the development of the stock market began, its development is influenced by many factors, which were discussed in this article.

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