

Development of the Government Securities Market in Uzbekistan

Kadirova Khadicha Turaevna

Candidate of Economic Sciences, Associate Professor, Department of Economics and Organization of Industrial Production, Namangan Institute of Engineering and Technology, Namangan, Uzbekistan

ABSTRACT

The article examines the theoretical aspects of the development of the financial market and, in particular, one of its segments of the government securities market. The characteristics of government securities and government bonds in particular are given. Considered the laws and government regulations on the formation and further development of the government securities market, reviewed the literature on the financial market and, in particular, this topic. The current state of the government securities market is analyzed. Special attention is paid to the issue of Eurobonds, their placement, geography and pricing. The appendices of the government decree on the placement of funds received from the placement of Eurobonds were considered. The rating of international organizations given to the Republic of Uzbekistan is considered. Certain conclusions and proposals have been made on the current state of the government securities market and its further development.

KEYWORDS: *Financial market, financial instruments, securities market, securities, capital market, money market, government securities market, bonds, treasury bonds, Eurobonds, government internal debt, government external debt, rating*

How to cite this paper: Kadirova Khadicha Turaevna "Development of the Government Securities Market in Uzbekistan"

Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-4 | Issue-5, August 2020, pp.1390-1394, URL: www.ijtsrd.com/papers/ijtsrd33155.pdf



Copyright © 2020 by author(s) and International Journal of Trend in Scientific Research and Development Journal. This is an Open Access article distributed under the terms of the Creative Commons Attribution License (CC BY 4.0) (<http://creativecommons.org/licenses/by/4.0>)



INTRODUCTION

As the world experience shows, in order to ensure a normal reproduction process and the implementation of government programs, as well as to increase government spending in connection with all possible emerging unforeseen situations in the market conditions, it is constantly necessary to mobilize temporarily free funds from individuals and legal entities, as well as their distribution and redistribution to commercial basis between different sectors of the economy. In effectively functioning economic systems, this process is carried out with the help of a well-functioning financial market that performs a number of vital functions for all participants in the market space.

The Government of the Republic of Uzbekistan is taking all the necessary measures to improve the financial market, in particular, the Resolution of the President of the Republic of Uzbekistan "On organizing the activities of the agency for the development of the capital market of the Republic of Uzbekistan" No. PP-4127 dated 01.24.2019 and "On measures to further improve the mechanisms for attracting direct foreign investment in the economy of the republic", No. PP-4300 dated April 29, 2019, contribute to the reorganization of old structures into new ones, which, in turn, should implement the strategy of capital market development in the republic.

In accordance with the decree of the President of the Republic of Uzbekistan Sh. Mirziyoyev dated July 21, 2018 N PP-3877 "On additional measures to diversify sources of external financing" in February 2019, for the first time in the world financial markets, sovereign international bonds of the Republic of Uzbekistan were placed for a total of 1 billion dollars for a period of 5 and 10 years. This decree promoted the development of the market for such financial instruments as government securities, and made it possible to attract the necessary additional financial resources to the budget of the republic. Their importance is increasing during the period of the global corona virus pandemic, when the amount of funds spent from the state budget increases significantly.

It should be noted that despite some steps taken towards the development of the government securities market, its volumes and rates of development are relatively low compared to other developing foreign countries.

There are certain obstacles, shortcomings in legislative acts, not using the entire set of varieties of government securities, a certain distrust on the part of the population to government securities associated with the loss of the expected income when redeeming previous issues of government securities for individuals, etc. This market needs further improvement and development. In this regard, this topic, in our opinion, is one of the most urgent.

Literature Review

The term "financial market" was formed over many centuries and now means a capacious economic category that embodies a complex and multidimensional system of relations between owners and borrowers of capital, carried out on the basis of market methods by certain financial institutions.

The modern scientific literature contains various definitions of the concept of "financial market", which reflect its most important features. So, according to the Russian scientist V.V. Kovalev in the textbook "Introduction to Financial Management": "The financial market is an informal system of trading in financial assets and instruments." In this definition, the financial market is a specific mechanism for the movement of financial resources from one entity to another.

Associate Professor of the Financial Academy under the Government of the Russian Federation, leading employee of the Institute for Professional Assessment L.P. Belykh in the textbook "Fundamentals of the Financial Market" believes that "financial markets are a general designation of those markets in which supply and demand for various means of payment are manifested." In her opinion, the structure of financial markets consists of a foreign exchange market, a market for property instruments and a credit market, which is subdivided into a market for monetary resources and a market for loan instruments, which in turn consists of a market for hybrid and derivative instruments. At the same time, the scientist integrates the market for loan instruments, the market for property instruments and the market for hybrid and derivatives into a securities market. And if we proceed from the structure of financial markets proposed by L.P. Belykh, it can be assumed that the credit market is intertwined with the securities market in terms of the market for loan instruments.

According to another Russian scientist Rubtsov B.B. when considering the stock market as an integral part of the financial market in the dissertation for the degree of Doctor of Economics on the topic: "World Stock Markets: Problems and Development Trends", the financial market, depending on the period for which financial resources are attracted, is divided into the capital market and the money market. "The stock market is an integral part of the financial market. The latter, depending on the period for which financial resources are attracted, is usually divided into the capital market and the money market."

According to Russian scientists V.V. Glukhov, Yu.M. Bakhramov in the textbook "Financial Management", the financial market is, first of all, the market for money, for which the buyer today gives a financial obligation to pay their price in the future, and that in fact the future money is exchanged for today's money.

The financial market is also presented as "The financial market is a market for long-term free capital. Here savings are collected and concentrated, which are sent to the industries, where they are immobilized for a long time."

"The financial market (market for loan capital) is a mechanism for the redistribution of capital between the lender and the borrower with the help of intermediaries

based on the supply and demand for capital. In practice, it is an aggregate of a credit institution (financial and credit institutions) directing the flow of funds from owners to borrowers and back."

The term "financial market" is most fundamentally considered by American scientists Lawrence J. Gitman (University of San Diego) and Michael D. Jonk (University of Arizona) in the textbook "Fundamentals of Investing". By their definition, the financial market is a mechanism that allows transactions to be concluded between suppliers and consumers of funds. The key role in it is played by the securities market, which allows the best way to carry out the process of buying and selling financial instruments. Based on this, Lawrence J. Gitman and Michael D. Jonk divide the securities market into money and capital markets.

Domestic scientist Sh.Sh. Shokhazamiy in his textbook "Financial Market and Securities" notes that: "Historically, the financial market arose with the emergence of money and organized financial relations on it. Currently, it is characterized by the fact that market financial relations are built and implemented on it, mediated by the free circulation of various financial instruments (currencies, securities, loans, etc. capital-investment goods), provided with a special economic and legal mechanism. In essence, these instruments constitute financial resources, the circulation of which in the financial market is subordinated to the interests of the subjects of market and economic relations".

"Thus, in general, in essence, FR is a special market that serves for the effective distribution and redistribution of financial resources (resources) in the economy, depending on its laws and principles, under the influence of which market-economic-legal relationships on financial instruments. In the process of these relations, the principles of financialization of the economy, capital transformation and securitization of assets naturally operate on the FR. Moreover, these relations are strictly organized in the form of a mechanism for the functioning of the FR".

If we consider foreign articles, then we can note the article by El Yuldasheva, in her article "Financial market of the Republic of Uzbekistan: development scenarios" she showed the structure and forecast of some changes in the financial market of Uzbekistan. The results of the study showed how the foreign exchange market and government policy can influence the institutions of financial markets. The forecast was substantiated that the so-called liberalization policy, which does not lead to positive changes in the market in the short term, may benefit certain sectors of the financial market in the future.

Director of the Research Center of the State Committee for Competition of the Republic of Uzbekistan, Doctor of Economics, Prof. I. L. Butikov in his article "Conceptual directions for the integration of the securities market of Uzbekistan into foreign and international capital markets" noted: "The participation of organizations of the stock market of Uzbekistan in international organizations of the securities market does not yet bring tangible material benefits to the country (calculated in monetary terms), but forms the basis for integration of Uzbekistan into foreign financial markets, with all the ensuing consequences". He also noted that it is necessary to develop and adopt a special

concept for the output of domestic securities to international capital markets.

In our opinion, all these definitions take into account one most important feature of the financial market. The fact is that money acquires a new quality on it, turning into an economic resource. Outside the financial market, money is an expression of accumulated wealth, but, acting as a financial resource, it turns into a source of new wealth and an object of its creation. As noted, in the modern market economy, the financial market acts as a powerful creative force that contributes not only to serving the needs of participants in the reproduction process, but also to economic transformations in society.

The financial market is a system of economic relations associated with the purchase and sale of financial resources, where supply and demand collide. The demand is created by enterprises, corporations and the state, which lack their own income to finance investments. Business and government usually act as net borrowers in the financial market, while the net lender is the population (the private sector), whose income for various reasons exceeds the amount of expenditures on current consumption and investments in tangible assets (mainly housing). The market's task is to provide the fullest and fastest possible transfer of savings into investments at a price that satisfies both parties.

From a functional point of view, the modern financial market is a set of market relations associated with the formation of certain financial funds (budgetary, off-budget, family) and their distribution for the needs of various sectors of the economy (state, corporate, private). The financial market is one of the many areas for the application of free capital. Because of this, he has to compete for their attraction with other markets (labor resources, basic means of production, natural and intellectual resources). The movement of funds between these capital investment markets depends on many factors, the main of which are: the level of market profitability, the level of market taxation, the level of risk of capital loss or shortfall in expected income, market organization and convenience for the investor, the ability to quickly enter and exit the market, the level information transparency of the market, etc.

In our opinion, the financial market is the sphere of realization of economic relations, expressed by the movement of financial resources, as well as the manifestation of certain aspects of the process of their redistribution.

Materials and methods

The article used laws, decrees and decrees of the government of the Republic of Uzbekistan, the methodology of system analysis, which makes it possible to reveal the structure and cause-and-effect relationships within complex socio-economic systems, comparative analysis.

The logic is that, based on a study of the state of the government securities market in comparison with a large group of developed and emerging markets, to determine the system of fundamental factors that form the model and dynamics of the government securities market development, to reveal the causal relationships underlying their impact and on this basis propose ways of its development.

Let's consider one of the demanded financial instruments - government securities.

In the Law of the Republic of Uzbekistan "On the Securities Market" dated June 3, 2015 (its new version No. 3PY-387), in the third article "Basic Concepts", the following concept is given to government securities: "government securities - treasury obligations of the Republic of Uzbekistan and bonds issued by a body authorized by the Cabinet of Ministers of the Republic of Uzbekistan, as well as bonds of the Central Bank of the Republic of Uzbekistan".

"A bond is an issue-grade security that certifies the right of its holder to receive from the person who issued the bond, within the period specified by it, the par value of the bond or other property equivalent, to receive a fixed percentage of the par value of the bond or other property rights."

Results

Uzbekistan has successfully placed the first in its history Eurobonds for \$ 1 billion. The bonds were placed in a double tranche of \$ 500 million each with maturity in 2024 and 2029. The success of the debut Eurobond issue reflects investor confidence in Uzbekistan's strong economic foundations, progress in reforms and a debt management strategy.

The yield on five-year securities was estimated at 4.7%, and on ten-year securities - at 5.3%. The total amount of applications at the peak reached \$ 8.5 billion, which made it possible to revise prices - initially they were 5.3% and 6%, respectively. The placement turned out to be in demand and well diversified, since about 150 applications from institutional investors were received.

Geographically, British investors accounted for 39% of five-year bonds and 32% of ten-year bonds, American investors - 23% and 31%, investors from continental Europe bought 32% and 37%, and Asian investors took the remaining 6% and 10%.

The main investors were management funds (75% and 78%). Insurance companies and pension funds took 20% and 16%, banks - 5% and 6% of five-year and ten-year bonds, respectively.

Uzbekistan entered international markets through the placement of Eurobonds, and strong investor support led to a revision and final pricing with a higher rating.

This was the first sovereign bond placement among the CIS countries in 2019, creating a benchmark for future Eurobond issues by state-owned enterprises and other companies in Uzbekistan.

Discussions

In recent years, such types of securities as government bonds have been recommended as effective instruments of the securities market.

Financial institutions and legal entities include short-term bonds (T-bills) as one of the most stable segments of the national securities market. Given this, they often use them for a profitable short-term investment of available free funds and maintaining their liquidity. This segment of the financial

market is one of the most reliable and technically secure areas for the application of financial resources of business entities. At the present stage of the development of the government securities market, medium-term and long-term sovereign international bonds have been added to GKO. The high reliability of GKOs and other government securities and the localization of the entire process of primary purchase and sale on the Uzbek Republican Currency Exchange and international exchanges, clear rules of circulation and significant tax benefits on income from owning this financial instrument made these financial instruments the most attractive investment object for local legal entities, persons-residents of the Republic of Uzbekistan and foreign investors. Despite the fact that now the rates of return on the GKO market have noticeably decreased compared to previous years, they are still in demand among portfolio investors and financial institutions.

However, the increasing scale of the government's need for domestic and foreign borrowing and the need for advantages over other segments of the stock market require expanding the range of government securities and developing qualitatively new approaches to organizing transactions with these securities.

Conclusions

In conclusion, we can draw the following conclusions and suggestions.

It can be noted that the first step towards the exit of government securities abroad has been made. The sovereign credit rating of Uzbekistan, carried out by foreign rating agencies Fitch Ratings and S&P Global Ratings, is also assessed for the better, but there is no need to stop there. It is necessary to further increase the republic's credit rating, although we understand its dependence on many factors. In the first direction, it is necessary to develop the following measures:

- to increase the quantitative indicators - the volume and growth rates of the economy and gold and foreign exchange reserves;
- to strengthen budgetary and monetary policy, the banking system;
- to develop foreign trade relations;
- balance public debt;
- -to improve quality indicators - to strengthen political stability;
- -to improve the legislative system, public administration;
- to increase and intensify the role of the country's international financial institutions in ratings and indices;
- increase information transparency and compliance with reports of international rating agencies;
- take into account the analysis of five-year and forecast forecasts of the development of the economic, political and social spheres of the country;
- reduce the level of government intervention in the economy, etc.

References

- [1] Mardonakulovich B. M., Abdurakhmanova M. F. Q. Organization of credit obligations and monitoring of commercial banks // *ACADEMICIA: An International*

Multidisciplinary Research Journal. – 2020. – T. 10. – №. 5. – C. 1635-1641.

- [2] Juraevich M. B., Mardonakulovich B. M., Ibroximovich R. B. BASIC CONCEPTS OF THE THEORY OF UNCERTAIN SETS AND ACTIONS RELATED TO INVESTMENT PROCESSES // *International Engineering Journal For Research & Development*. – 2020. – T. 5. – №. 5. – C. 7-7.
- [3] Mardonakulovich B. M., Ibroximovich R. B. ANALYSIS OF MONITORING AND FULFILLMENT OF CREDIT OBLIGATIONS IN COMMERCIAL BANKS // *International Engineering Journal For Research & Development*. – 2020. – T. 5. – №. 4. – C. 7-7.
- [4] Tursunbaevich B. B., Mardonakulovich B. M. Econometric models of sectoral distribution of investments in the economy of Uzbekistan // *South Asian Journal of Marketing & Management Research*. – 2019. – T. 9. – №. 8. – C. 89-98.
- [5] Bustonov M. M., Odoshov B., Sattorov A. Ekologiya-zalog kachestvennogo ekonomicheskogo rosta // *Sovremennye tendentsii razvitiya agrarnogo kompleksa*. – 2016. – p. 25-27.
- [6] Abdulkhakimov Z. (2018). Development of regional economy with mountain recreation: in case Uzbekistan. *Bulletin of Science and Practice*, 4(5), 446–453. <http://doi.org/10.5281/zenodo.1246298>
- [7] *AbdulkhakimovZuhraliTursunaliyevich*. (2019). Senior Teacher of the Namangan Engineering and Technology Institute. Scientific and analytical journal «Science and Practice» of Plekhanov University. Vol. 11. No. 1 (33) 79.
- [8] Abdulkhakimov, Z. T., & Raxmonjonov, R. Sh. o. (2019). ATTRACTING INVESTMENTS TO THE ECONOMY. Priorities for ensuring economic security of the country, 1(4), 3. Extracted from https://journal.tsue.uz/index.php/iqtisodiy_xavfsizlik/article/view/108
- [9] Zainutdinov Sh., Mullabaev B. Uzbekistondashtisodiy integration rivozhlantirishvauningsamaradorliginioshirishomillari // *BIZNES - EXPERT*. [Electronic resource], 2018. No. 7 (127). Access mode: <http://www.biznes-daily.uz/uz/birjaexpert/60042-uzbkistonda-iqtisodiy-intgratsiyani-rivojlantirish-va-uning-samaradorligini-oshirish-omillari/> (date of access: 30.07.2018).
- [10] Mullabaev B. B. Development of light industry branches in Uzbekistan based on vertical integration // *Bulletin of Science and Practice scientific journal* No. 10 of 2017 <http://www.bulletennauki.com>
- [11] Dilorom Sobirovna, Q., Abdurasul Abdugafarovich, S., & Baxtiyarjon Bulturbayevich, M. (2019). Improvement of the strategy of vertical integration in industrial enterprises. *American Journal of Economics and Business Management*, 2(3), 63-68. <https://doi.org/https://doi.org/10.31150/ajebm.v2i3.81>
- [12] Mullabayev B. B. Economic analysis of vertical integration integration of the Namangan region (on the prerogative of the Republic of Uzbekistan) // "Science of theory: theory and practice" - 8/2018

- [13] MahmudovBaxriddinJurayevich, MullabayevBaxtiyarjonBulturbayevich, ATTRACTING FOREIGN INVESTMENT IN THE AGRICULTURAL ECONOMY , International Engineering Journal For Research & Development: Vol. 5 No. 2 (2020): IEJRD
- [14] MullabayevBaxtiyarjonBulturbayevich, ShakirovaGulbahorSharipdjanovna, AlabayevSobitxonIbragimovich, MirzaabdullayevaGulnora, MODERN FEATURES OF FINANCIAL MANAGEMENT IN SMALL BUSINESSES , International Engineering Journal For Research & Development: Vol. 5 No. 4 (2020): IEJRD
- [15] MahmudovBaxriddinJurayevich, MullabayevBaxtiyarjonBulturbayevich, ATTRACTING FOREIGN INVESTMENT IN THE AGRICULTURAL ECONOMY , International Engineering Journal For Research & Development: Vol. 5 No. 2 (2020): IEJRD
- [16] Mullabaev, B. B., Vohidov, E., &Karimov, D. (2019). ROLE OF VERTICALLY INTEGRATED ENTERPRISES IN THE ECONOMY. Theoretical & Applied Science, (1), 85-90.
- [17] Mullabaev, B. B. (2018). ECONOMETRIC ANALYSIS OF VERTICAL INTEGRATION OF THE LIGHT INDUSTRY ENTERPRISES OF THE NAMANGAN REGION (ON THE EXAMPLE OF THE REPUBLIC OF UZBEKISTAN). Scientific Review: Theory and Practice, (8), 22-36.
- [18] Zaynutdinov, S. N., &Mullabayev, B. B. (2018). REGIONAL EFFECTIVENESS OF THE REGIONS. Economics and Innovative Technologies, 2018(1), 36.
- [19] Bachtijarzh M. DEVELOPMENT OF LIGHT INDUSTRY BRANCHES IN UZBEKISTAN BASED ON VERTICAL INTEGRATION //Бюллетень науки и практики. – 2017. – №. 10 (23).
- [20] Dadaboyev TY, Qoraboyev SA, Mullabaev BB CORPORATE MANAGEMENT AS THE FACTOR OF INVESTMENT ATTRACTION // Scientific knowledge of the present. - 2017. - No. 5. - S. 77-80.
- [21] Mullaboey B. B. Corporate governance as a way to attract investment // Young scientist. - 2015. - No. 10. - S. 749-751.
- [22] Ismoilov R. B., MatkarimovK.Zh., KhaidarovKh.Kh., Nabotova Z. THE ROLE OF THE TEACHER IN THE EDUCATIONAL PROCESS: ADDRESSED TRAINING OF SPECIALISTS OF SECONDARY PROFESSIONAL EDUCATION IN THE PROCESS OF NETWORK INTERACTION. materials of the IV All-Russian scientific-practical conference with international participation. Institute for the Development of Territorial Systems of Professional Education; FGAOU VO "Russian State Professional Pedagogical University". 2019.S. 167-174.
- [23] Law of the Republic of Uzbekistan "On the securities market" dated 07.22.2008, website. www.lex.uz- National database of legislation
- [24] The Law of the Republic of Uzbekistan "On Amendments and Additions to the Law of the Republic of Uzbekistan" On the Securities Market "05/08/2014 site. www.lex.uz- National database of legislation
- [25] Law of the Republic of Uzbekistan dated April 4, 2019 No. 3PY-533
- [26] "On Amendments and Additions to Certain Legislative Acts of the Republic of Uzbekistan" Adopted by the Legislative Chamber on February 22, 2019, part three of Article 15 as amended by the Law of the Republic of Uzbekistan dated April 4, 2019 No. ZRU-533 - National Database of Legislation, 04/05/2019, No. 03/19/533/2885).
- [27] Civil Code of the Republic of Uzbekistan, 1995, art. 741
- [28] Resolution of the President of the Republic of Uzbekistan dated 02.04.2019, No. PP-4258 "On the effective use of funds received from the placement of the first sovereign international bonds of the Republic of Uzbekistan."
- [29] Appendix No. 1,2,3 to the Resolution of the President of the Republic of Uzbekistan from 02.04.2019., No. PP-4258. National Legislation Database (www.lex.uz), April 3, 2019
- [30] Rubtsov B. B. World stock markets: problems and development trends. Dissertation for the degree of Doctor of Economics. Moscow. Financial Academy under the Government of the Russian Federation. 2000.S. 18.
- [31] ShokhazamiySh.Sh. Textbook "Financial market and securities". T.: "Iktisod-Moliya". 2005, section 1.p. 1.
- [32] Yuldasheva E I. "Financial market of the Republic of Uzbekistan: development scenarios". Economic and legal issues. M.: Publishing house: "Economic Sciences" 2017. www.e-library.ru
- [33] Khurramov, A. M. ugli. (2020). The role and role of digital economy and information technology in the agricultural sector. International Journal on Integrated Education, 3(2), 42-44. <https://doi.org/10.31149/ijie.v3i2.10>
- [34] Irgashevich, D. A. (2020). Development of national network (tas-ix). ACADEMICIA: An International Multidisciplinary Research Journal, 10(5), 144-151. Article <http://dx.doi.org/10.5958/2249-7137.2020.00254.2>
- [35] Ilkhomovich S. E., Khurramov A. M., (2020) The development of electronic trade and its role in general trade activities ., ACADEMICIA: An International Multidisciplinary Research Journal, Volume : 10, Issue :3 Article <http://dx.doi.org/10.5958/2249-7137.2020.00060.9>