

**EFFECT OF THE DEVELOPMENT OF STOCK EXCHANGE MARKETS ON
INCOME OF THE UZBEKISTAN****Ulugbek Yusupov**

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Abstract: In this thesis, the impact of the development of the stock market in Uzbekistan on the national income, the preparation of the accounting balance sheet based on international standards and the analysis according to international standards are studied.

Keywords: *International standards of financial accounting, initial value, fair value, statement of financial position, international accounting standards, stock exchange, income.*

The economy of Uzbekistan kept expanding at a strong pace, with GDP reaching 888.3 trillion Soum (\$80.4 billion), or 5.7% in real terms, in 2022. The manufacturing (1.3%), agricultural (0.9%), and construction (0.4%) sectors contributed the remaining portions of the GDP increase, with net product taxes falling (-0.1%). The service sector accounted for the majority of GDP growth (3.2%). The Soum, the official currency of Uzbekistan, lost 3.5% of its value in relation to the US dollar. The nation's public foreign debt increased by \$2.9 billion to \$29.2 billion, while its overseas reserves increased by \$0.7 billion to \$35.8 billion. Data on private external debt was not made public by the government.

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.

The economy of Uzbekistan has grown significantly over the previous 33 years, and the stock market is no exception. The trading of securities, shares, assets, and currencies occurs on the stock market. The evolution of market interactions is closely linked to the growth of the stock market.

This past week saw a significant drop in trading volume on the Tashkent Stock Exchange (TSE), with total turnover falling to \$173,895 (UZS 2.2bn), fold drop from the previous year.



Table: key economic indicators, 2021–2022

Key Economic Indicators	2021	2022
Nominal GDP (billion USD)	69.2	80.4
Consumer price inflation (percent)	10.8	12.3
Foreign Direct Investment (billion USD)	2.3	2.5
Current account balance (billion USD)	-4.9	-0.6
Exports (billion USD)	16.6	19.3
Imports (billion USD)	25.5	30.7
External debt, public (billion USD)	26.3	29.2
Gross international reserves (billion USD)	35.1	35.8

(Source: State Statistics Committee, Central Bank)

In terms of both imports and exports, Uzbekistan's trade turnover increased by 18% to \$50 billion, with \$19.3 billion coming in. The current trend of import growth (20.4%) surpassing export growth (15.9%) is leading to an increased trade deficit. The top three export categories were industrial items (\$4.4 billion), gold (\$4.1 billion), and services (\$4 billion). The country's continued industrialisation and modernisation strategy can still be used to explain Uzbekistan's import distribution, which includes chemicals and related items (13.8%), machinery and transport equipment (31.4%), and industrial goods (18.8%).

Major Trade Partners (Uzbekistan official statistics, 2022):

Russia, 18.6%
China, 17.8%
Kazakhstan, 9.2%
Turkiye, 6.4%
South Korea, 4.7%

The process of adoption of IFRSs tries to ensure high quality preparation of international accounting standards. Because the standards provide for the application of accounting practices that are comparable to it in a specific economic environment. The process of adoption of standards includes the following steps:

1. Comprehensive analysis of the problem and assessment of possibilities of application of "Conceptual basis of preparation and presentation of financial statements";
2. To study the national requirements and practices of accounting and exchange ideas with national bodies that set standards;
3. Holding consultations with the Trusteeship Institute and the Advisory Council on the inclusion of this topic in the agenda of the Ministry of Education and Culture;
4. Creation of a working group;

In the process of development of IFRSs, the Council may decide on the need to clarify the issues considered in the standard by publishing problematic articles for discussion.

Among the things that should be done to organize the foundations of financial accounting in the Republic of Uzbekistan, the following can be included:

- 1) Development of generally accepted principles and rules of accounting, taking into account our national achievements and characteristics, using the achievements of international practice of accounting;
- 2) Development of the national accounting standards of the Republic of Uzbekistan step by step, taking into account our national characteristics, based on the in-depth study of international



standards of financial reporting and national accounting standards in countries with developed market economies;

3) Establishment of a special specialized department in the management system of companies dealing with the formation and use of financial information about the objects of the financial account.

Table 2

COMPANY TICKER SECTORS	TICKER	SECTORS	TRADING VOLUME (UZS)	NUMBER OF TRANSACTIONS	CLOSING PRICE (UZS)	WEEKLY %	SHARE IN TOTAL TURNOVER
UNIVERSAL BANK	UNVB	BANK	630 916 945	23	11 195	-6.68%	28.9%
BIZNES FINANS	BFMT3V2	MICROFINANCE	518 703 851	122	95 000	-5.56%	23.76%
IMKON FINANS	IFMT4	MICROFINANCE	263 000 000	6	1 000 000	0%	12.05%
IPOTEKA-BANK	IPTB	BANK	213 152 563	6 019	1,2	-12.23%	9.76%
UZBEK COMMODITY EXCHANGE	URTS	SERVICE	192 879 799	137	14 600	-1.3%	8.84%
UZMETKOMBINAT	UZMK	METALLURGY	139 471 868	235	3 770	0.27%	6.39%
UZBEKINVEST, PREF	UZINP	INSURANCE	34 734 670	104	1 212	1%	1.59%
UZMETKOMBINAT, PREF	UZMKP	METALLURGY	21 393 999	125	2 000	-9.05%	0.98%
KVARTS	KVTS	GLASS	20 458 405	356	843	0.35%	0.94%
HAMKORBANK	HMKB	BANK	16 015 304	173	25,5	2.12%	0.73%
	OTHERS		132 355 668	2 497			6.06%
	TOTAL		2 183 083 073	9 797			100%

Overview of Tashkent Stock Exchange Photo credit /
Daryo based on Avesta Investment Group data

Uzbekistan, home to an estimated 36.4 million people, has the makings of a regional economic powerhouse: the largest potential consumer market in the region; a literate, enterprising, and active populace in Central Asia; and reasonably well-developed infrastructure. In March 2022, the worldwide human rights coalition Cotton Campaign called off its thirteen-year boycott of Uzbek cotton, stating that it had discovered no evidence of systematic or systemic forced labour imposed by the government during the cotton harvest of 2021. The government's stated economic strategy places a high priority on luring in foreign capital through liberalising trade, privatising, and enhancing the business environment in Uzbekistan. Regrettably, the country's economic picture is currently at risk due to external forces that increase uncertainty.¹

The significance of the Trans-Caspian International Transport Route, which passes through Turkey, Eastern Europe, the Caucasus, and Central Asia to connect China and the European Union, has grown. After 20 years of discussion, a feasibility study for a \$4.5 billion China-Kyrgyzstan-Uzbekistan railway project was signed in September 2022 by Uzbekistan, Kyrgyzstan, and China. The first part of 2023 saw the completion of the study, and late 2023 or early 2024 is when the railway construction is anticipated to begin.

Conclusion

One complex area of the economy is the stock market. Every nation has a stock market, which grows at its own rate. even though Uzbekistan's stock market only got started in 1991, not too long ago. Numerous elements, which were covered in this thesis, have influenced the stock market's development since the country's declaration of independence.

¹ Official Website of the International Trade Administration



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