



## Article

# Foreign Experience in The Development of Stock Markets and Its Application Potential in Uzbekistan

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**Abstract:** Stock markets are essential financial instruments that facilitate capital accumulation and economic development. Developed countries have leveraged stock markets—particularly IPO mechanisms—to stimulate investment and transparency in corporate governance. In Uzbekistan, despite ongoing reforms, the stock market remains underdeveloped, contributing less than 3% to GDP, a stark contrast to global benchmarks exceeding 100% in leading economies. There is a limited understanding of how successful international stock market strategies—especially IPO models—can be effectively adapted and applied to the Uzbek financial environment. This article aims to analyze the global experience of stock market development, assess its relevance to Uzbekistan, and propose actionable strategies for enhancing the local market’s structure and performance. Comparative analysis reveals that IPOs in developed economies significantly boost capital flows, improve transparency, and incentivize innovation, while in Uzbekistan, institutional and regulatory shortcomings hinder similar progress. Local IPO attempts have shown mixed results, with limited bank involvement and low public awareness being major barriers. The research integrates detailed international case studies with local data, highlighting successful IPO-driven transformations and adapting them into a strategic roadmap for Uzbekistan’s stock market. Strengthening regulatory frameworks, encouraging bank participation, and improving financial literacy are critical to expanding Uzbekistan’s capital markets. Future policy must emphasize institutional reform, digital integration, and strategic public offerings to achieve sustainable financial sector growth.

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## 1. Introduction

The development of stock markets holds significant importance as a source of financing. It is essential to regard the advancement of this sector as a key link in the broader development of the national economy. In this context, expanding the participation of banks in the stock market can have a positive impact on the further development of capital markets and the stability of the financial system. Strengthening the involvement of banks in stock market operations, increasing their investment potential, and expanding the range of financial services are among the most pressing issues today. Enhancing the role of banks in the stock market and implementing profitable financial services tailored for banks within the stock market infrastructure is of strategic importance [1].

**Literature Review.** In recent years, the stock market has become one of the fundamental pillars of the economy. Numerous studies have been conducted to examine the development of this sector. These scholarly investigations demonstrate that the subject

is being studied as a significant and evolving research direction across various academic domains [2].

Russian scholars such as O.Yu. Ermolovskaya and T.A. Shcherbina emphasized that companies can attract financial resources at lower costs through stock markets by distributing risks among shareholders [3].

Among local researchers, Doctor of Economic Sciences S. Elmirzaev highlighted that although public offering of shares requires relatively high costs and considerable time, it enables companies to raise substantial capital. He also emphasized the importance of transparency in this process [4].

Additionally, Lizzy Gurdus analyzed the entry of large corporations into stock markets, noting its influence on capital attraction and market dynamics.

## 2. Materials and Methods

This research aims to highlight the significance of the stock market by referencing the outcomes observed in developed countries. A comparative method has been employed, utilizing statistical data related to the stock market, the analysis of which has led to the formulation of scientific conclusions.

Developed countries possess extensive experience in the development of stock markets. In such economies, the market capitalization of securities exchanges constitutes a substantial portion of the national GDP. For example, this figure ranges from 70% to 90% at the New York and Tokyo Stock Exchanges, and reaches as high as 1000–1200% at the Korea and London Stock Exchanges. In stark contrast, this indicator in Uzbekistan does not even reach 3%, indicating the insufficient role of the stock market in the development of the national economy.

One of the key mechanisms in stock market development is the **Initial Public Offering (IPO)**, which refers to the process by which a company offers its shares to the public for the first time to raise capital for business expansion. Through an IPO, companies gain access to investor funds by placing securities on the stock exchange, thereby allowing both individual and institutional investors to acquire equity and become shareholders – essentially, partners in the business.

As the company grows, shareholder income may increase proportionally, though it may also decline in adverse conditions. The IPO process enables companies to attract investments from multiple investors, which can be used to scale operations or finance potential growth. Thus, modern stock market instruments such as IPOs are realized through the structure of an organized securities market.

## 3. Results

According to O.Yu. Ermolovskaya and T.A. Shcherbina, "an initial public offering (IPO) serves as an additional source of financing for companies. As a result, companies gain the opportunity to attract funds at a lower cost by distributing risks among shareholders [5]."

Among local scholars, Doctor of Economic Sciences S. Elmirzaev notes that "although public offering of shares requires relatively high costs and considerable time, it enables companies to attract a significant amount of capital. Moreover, the processes required to organize and implement a public offering enhance the company's transparency and allow for an objective assessment of its financial condition [6]."

Due to the increasing demand for investment in foreign countries, many companies are utilizing various methods to attract capital. One of the most widely used approaches is raising capital through Initial Public Offerings (IPOs) by issuing company shares in the primary market. This method allows for a more accurate and fair valuation of a company's market assets [7].

Companies seeking to be listed on stock exchanges are required to adhere to high standards of financial and business transparency, which in turn enhances their investment appeal to potential investors. However, in some transitioning economies undergoing privatization, the process of transferring assets to private investors has often lacked transparency, leading to insider deals and corruption. Although this process may appear

beneficial to investors, it frequently results in losses for the state and taxpayers due to undervaluation of assets during privatization [8].

A key factor for shareholders is the high liquidity and rising value of shares, which contribute to their potential profits. Over time, business owners may sell portions of their equity holdings on the open market or use them as collateral to obtain loans. Granting stock options to key employees can serve as a long-term incentive mechanism, aligning their interests with the company's growth [9].

Furthermore, listing company shares on a carefully selected stock exchange can enhance the company's market visibility, boost brand recognition, and improve its international reputation. This also contributes to increased trust and confidence among stakeholders toward the company [10].

Companies have the potential to raise substantial amounts of capital by attracting investors through the Initial Public Offering (IPO) process on stock exchanges. For instance, as a result of organizing an IPO, the American corporation **General Motors (GM)** managed to raise **USD 23 billion**, while China's **Agricultural Bank** increased its capital by **USD 22 billion** [11].

Moreover, companies such as **Twitter (TWTR)**, **Google (GOOG)**, and **Meta (formerly Facebook)**—which have since become major financial powerhouses—achieved remarkable success in the financial markets through their IPOs. In particular, **Twitter** offered **70 million shares** in its 2014 IPO, pricing each share at **USD 15**, and successfully raised **USD 1 billion** in capital. Even before trading commenced, buy offers reached **USD 26 per share**, and once trading began, the share price rose to **USD 45–50**. As a result, both underwriters and early shareholders earned substantial profits.

**Google's** IPO was also highly successful. Shares were initially priced at **USD 85**, but after trading began, the share price quickly increased to **USD 100**, then to **USD 200 within a month**, and eventually exceeded **USD 800** in the subsequent years [12].

Similarly, **Meta** raised **USD 16 billion** through its IPO. However, at the initial stage of trading, the company's share price experienced a decline. To stabilize the price, underwriters agreed to maintain a minimum price level of **USD 38** and to refrain from selling shares for a three-month period. Despite this, the price fell to **USD 19** during that time. Nevertheless, over the years, Meta's stock has appreciated significantly, currently trading at around **USD 600 per share** [13].

The table presents major global companies and the capital they raised, ranging from \$8.1 to \$25.6 billion. It includes diverse sectors such as Oil & Gas, E-commerce, IT, Telecommunications, and Food. Saudi Aramco leads with \$25.6 billion, while Uber represents the platform economy with \$8.1 billion in raised capital (Figure 1).

Table 1. Top 10 Largest Initial Public Offerings in Stock Market History

| Company Name                | Capital Raised (in USD) | Industry Sector        |
|-----------------------------|-------------------------|------------------------|
| Saudi Aramco (Saudi Arabia) | \$25.6 billion          | Oil & Gas              |
| Alibaba (China)             | \$25.0 billion          | E-commerce             |
| VISA (USA)                  | \$17.9 billion          | Payment Systems        |
| META (USA)                  | \$16.0 billion          | Information Technology |
| General Motors (USA)        | \$15.8 billion          | Automotive Industry    |
| Deutsche Telekom (Germany)  | \$13.0 billion          | Telecommunications     |
| AT&T Wireless (USA)         | \$10.6 billion          | Telecommunications     |

|                   |               |                                 |
|-------------------|---------------|---------------------------------|
| Kraft Foods (USA) | \$8.7 billion | Food Industry                   |
| Uber (USA)        | \$8.1 billion | Platform Economy (Ride-hailing) |

Analyzing the data in Table 1, it is evident that **Alibaba Group** had conducted the largest Initial Public Offering (IPO) in history in 2014, successfully raising **USD 25.0 billion**. However, in **2019**, this record was surpassed when **Saudi Aramco** executed the largest IPO to date, raising an unprecedented **USD 25.6 billion**.

Until 2019, companies such as **France Télécom** had maintained a place among the top ten IPOs in history. However, in that same year, **Uber** entered the top ten with its successful IPO, which raised **USD 8.1 billion**, thereby taking the tenth position.

One of the most significant developments in **2019** was precisely the fact that it marked the execution of the **largest IPO in global stock market history** – by Saudi Aramco.

It is important to emphasize the critical role that **underwriters** play in ensuring the success of IPO and SPO (Secondary Public Offering) processes. Like many other corporations, **Saudi Aramco** engaged major institutional investors such as banks, investment banks, investment companies, and credit institutions as underwriters. These institutional investors served as lead managers, financial advisors, and global coordinators during the IPO process, demonstrating the vital role such investors play in large-scale financial operations.

The IPO conducted by Saudi Aramco encompassed several strategic aspects. Notably, it was aimed at attracting **high-yield capital investments** that would meet labor market demands and support the **diversification of Saudi Arabia's revenue sources**, in line with its long-term economic goals.

Furthermore, the **stock performance dynamics** of **CRWD (CrowdStrike)**, a company specializing in cybersecurity software, have also shown considerable fluctuations, suggesting the growing importance of the tech sector in capital markets.

The table presents stock price movements from 2020 to 2024, including opening, highest, lowest, and closing values. Notable fluctuations are observed, with the lowest price recorded in 2020 (\$20.7) and the highest closing price in 2024 (\$369.4), indicating overall market growth despite periods of volatility and adjustment (Figure 2).

Table 2. Stock Price Dynamics of CRWD (a Cybersecurity Software Developer) After IPO (in USD)

| Date | Opening Price | Highest Price | Lowest Price | Closing Price |
|------|---------------|---------------|--------------|---------------|
| 2020 | 48            | 92.5          | 20.7         | 125.7         |
| 2021 | 125.7         | 298.6         | 155.6        | 144.6         |
| 2022 | 144.6         | 296.6         | 96.44        | 107.4         |
| 2023 | 107.4         | 366.6         | 294.44       | 261.1         |
| 2024 | 261.1         | 292.4         | 201.1        | 369.4         |

The table data indicates that following the Initial Public Offering (IPO) of **CRWD (CrowdStrike)**, the company's stock prices demonstrated notable growth. As of **January 1, 2020**, the highest recorded price was **\$92.5**. By **January 1, 2021**, this figure had increased to **\$125.7**. Throughout 2021, the stock price peaked at **\$298.6**, while the all-time highest price since the IPO reached an impressive **\$369.9 (picture 1)**.



Figure 3. Results of IPO and SPO Activities Conducted by Joint-Stock Companies in the Republic of Uzbekistan

The image displays a monthly candlestick chart for CrowdStrike Holdings Inc. (CRWD), traded on NASDAQ, showing data from around 2020 to early 2025. Key observations include:

**Volatility:** Significant price fluctuations occurred during 2022–2023, indicating heightened investor activity and market reaction.

**Growth Trend:** The stock price rebounded strongly after a dip, reaching approximately \$359.02 by early 2025.

**Volume & Indicators:** Trading volume shows periodic spikes, with 50-day (SMA 50) and 200-day (SMA 200) moving averages demonstrating long-term bullish momentum (picture 1).

In addition, our analysis has shown that following the Initial Public Offering (IPO) of **CRWD** (a cybersecurity software developer), the company has paid increased attention to improving its system of relations with shareholders. Alongside listing fees, companies seeking to list their shares on stock exchanges must also comply with specific regulatory requirements set by the exchanges themselves.

For instance, the **London Stock Exchange (LSE)** requires listed companies to ensure transparency of commercial, financial, and governance-related information. Furthermore, the company's market capitalization must not fall below **£700,000**; issued shares must be freely tradable; at least **25%** of the shares must be held by non-director shareholders; and no individual shareholder should control more than **30%** of the voting rights.

Based on the information gathered during our research, it can be concluded that the mechanisms for attracting foreign capital through the issuance of shares are **not yet widely implemented** in Uzbekistan. Moreover, the various economic reforms initiated in this direction since the late 1990s have not been fully realized. This situation has negatively affected the development of the national stock market, the inflow of foreign investment into real-sector enterprises, and the overall improvement of financial services offered by domestic institutions.

Nevertheless, it is worth emphasizing that during the period **2017–2024**, a number of joint-stock companies in Uzbekistan have successfully conducted public share offerings and attracted capital, which can be considered a **positive development**.

The table presents IPO and SPO data from various Uzbek companies, detailing share offerings, price ranges, and capital raised. Notably, **UzAuto Motors JSC** raised over 56.8 billion UZS, while **UzRSTB JSC** led in capital raised with 43.2 billion UZS. Subscription and satisfaction rates vary, reflecting differing investor demand levels (Figure 3).

| Issuer Name / IPO or SPO                  | Underwriter          | Number of Shares Offered and % of Authorized Capital | Price Range (UZS) | Number of Subscribed Shares | Satisfaction Rate | Capital Raised (in million UZS) |
|---|----------------------|--|-------------------|-----------------------------|-------------------|---------------------------------|
| Quartz IPO                                | TIF National Bank    | 4574934 (10%)  | 3000-9100         | 2475039 (54.1 %)            | 2475039 (54.1 %)  | 7523.81                         |
| QMQZ (Qurilish Mashinasozlik Zavodi)      | Freedom Finance      | 2236452 (10%)  | 1000-4000         | 2821065 (126 %)             | 2236452 (100%)    | 2344.09                         |
| Quartz SPO                                | Freedom Finance      | 4822460 (5 %)  | 3270.4-4000       | 4890179 (101.4)             | 4822460 (4 00%)   | 15823.87                        |
| Jizzakh Plastics SPO                      | Portfolio Investment | 1140246 (25 %)                                       | 3400-3500         | 397569 (34,8 %)             | 397569 (34.8)     | 1352,62                         |
| UzAuto Motors JSC IPO                     | Freedom Finance      | 2 700 000 (5 %)                                      | 72000-75000       | 784703 (29,1 %)             | 784703 (29,1 %)   | 56890.1                         |
| Uztelecom JSC IPO                         | Portfolio Investment | 5 542 046 (5%)                                       | 6000-7000         | 5 542 046 (100 %)           | 5 542 046 (100 %) | 34360.6                         |
| UzRSTB JSC (Uzbek Commodity Exchange) SPO | Capital depozit      | 3 326 031 (4,4%)                                     | 12900-18000       | 3 326 031 (100 %)           | 3 326 031 (100 %) | 43238.4                         |

The Role of Banks in the Stock Market and Their Integration into Capital Markets. Banks play a vital role as key financial intermediaries in the stock market by effectively allocating investment resources and managing capital flows. Through the placement of corporate bonds and shares in the securities market, as well as the provision of various investment services to clients, banks contribute significantly to the continuity and efficiency of economic processes.

The active participation of banks in the stock market not only enables them to diversify their income sources but also enhances economic stability and strengthens the overall financial system. According to the Law "On Banks and Banking Activity", banks are permitted to engage in operations such as issuing, purchasing, selling, accounting, and safekeeping of securities; managing securities based on client agreements; and conducting other related activities.

As shown in **Table 3**, banks in Uzbekistan currently exhibit **limited activity in the stock market**. For example, the Foreign Trade National Bank (TIF "Milliybank") has only participated in the IPO of **Quartz JSC**. This reflects the need for greater involvement of the banking sector in capital markets.

Moreover, the involvement of banks in the stock market is of strategic importance at the macroeconomic level. By stimulating the development of capital markets, banks can have a direct positive impact on the national economy. This includes financing large-scale investment projects, strengthening the financial position of the corporate sector, and facilitating the creation of new jobs.

Expanding the participation of banks in stock market operations will positively influence the development of capital markets and reinforce financial system stability. Therefore, strengthening banks' role in the stock market, enhancing their investment capabilities, and broadening the scope of financial services are among the key priorities today. As a result, the integration between stock markets and banks becomes one of the driving forces of economic growth and contributes to the long-term sustainability of the financial system [14].

#### 4. Discussion

At the same time, **a number of challenges** are emerging in the process of expanding banks' involvement in the stock market.

**Firstly**, the underdevelopment of the stock market itself may significantly restrict banks' activity in this sector. In Uzbekistan, as well as in many developing countries, the **depth and liquidity of the securities market** remain insufficient. This limits banks' ability to actively participate in the market and complicates the process of capital mobilization through securities. In particular, the limited scale of equity and bond markets, along with a lack of diverse financial instruments available to investors, prevents banks from operating efficiently in this area.

**Secondly**, the complexity of the **regulatory and legal framework** can act as a barrier to banks' participation in the securities market. Strict financial regulations, capital adequacy requirements, and legal restrictions on securities transactions limit banks' investment activities. In many countries, banks face limitations when it comes to high-risk investments. These constraints hinder the ability of banks to operate effectively in the capital market and fully implement their investment strategies.

**Thirdly, investment risks** pose another major challenge. Volatility in the financial markets can negatively affect banks' financial stability. Uncertainty in the stock market, global economic fluctuations, and interest rate volatility may lead to a decline in the value of banks' investments in securities. Particularly sharp changes in equity and bond prices can affect the structure of bank assets and reduce their profitability. As a result of these elevated risks, banks are often compelled to adopt **conservative investment strategies**, which in turn limits their presence and influence in the stock market.

**Fourthly**, the low level of financial literacy within society also has a significant impact on banks' participation in the stock market. Many potential investors lack sufficient understanding of how the stock market functions, which can lead to low demand for securities. Consequently, banks may be less inclined to invest in this sector. Enhancing financial literacy is critical not only for the development of the stock market itself but also for expanding banks' opportunities to attract capital through it.

To address these challenges, it is necessary to accelerate the **institutional development of the stock market**, simplify the legislative framework, and strengthen measures aimed at attracting investors. In addition, several **strategic directions** must be prioritized, such as expanding opportunities for banks to participate in the stock market, improving investment risk management systems, and increasing financial literacy across society. Through these measures, it will be possible to both expand the presence of banks in the stock market and develop their overall investment activity [15].

To enhance banks' engagement in the stock market, a series of **targeted measures** should be implemented. First and foremost, it is essential to improve the **legal and institutional foundations** of the stock market. Developing legal norms that allow banks more active participation in securities markets, simplifying regulatory procedures, and facilitating investment processes can all contribute to strengthening the role of banks in capital markets.

Moreover, the **introduction of modern digital technologies** and the development of innovative financial services can significantly boost banks' activity in the stock market. Tools such as **electronic trading platforms, automated financial services, and investment analytics** can help banks create more convenient and efficient conditions for investors. Digital technologies not only enhance the **speed and effectiveness** of financial services but also make the stock market more accessible—creating new opportunities for **small and medium-sized investors**.

#### 5. Conclusion

Enhancing the role of banks in the stock market is of critical importance for ensuring the economic stability of the country. To enable banks to actively participate in investment processes, it is essential to improve the legal infrastructure, develop innovative services, and strengthen financial integration. Increased participation of banks in the stock market can have a **positive and lasting impact** on the sustainable growth of the national economy.

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