



Article

## Priority Directions of Institutional Development in Uzbekistan's Stock Market

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**Abstract:** This article focuses on the institutional priorities of developing Uzbekistan's stock market in the context of transforming it into an effective mechanism for long-term economic financing. The study examines the main challenges facing the market, including the fragmentation of the information environment, the low activity of minority shareholders, and the irregularity of IPO and SPO processes. To gain a deeper understanding of the current situation, a comparative analysis with other regional markets Turkey, Kazakhstan, and Azerbaijan is conducted, each of which represents different stages of institutional maturity in capital market development. Based on the findings, the article proposes measures such as the creation of a unified digital ecosystem for investors, the introduction of interactive tools to engage minority shareholders, and the institutionalization of the "Xalq IPO" program as a sustainable mechanism for privatization and capital attraction. The implementation of these measures is expected to enhance transparency, expand the base of long-term investors, and strengthen confidence in the national stock market, which is a necessary condition for ensuring sustainable economic growth in Uzbekistan.

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### 1. Introduction

The ongoing transformation of Uzbekistan's economic system has highlighted the strategic importance of building a robust and credible capital market. As the country deepens its integration into the global economy, the ability of financial institutions to mobilize domestic and foreign investment becomes a central determinant of sustainable growth [1]. The stock market is not only a platform for trading securities but also a mechanism that channels savings into productive sectors, strengthens corporate accountability, and stimulates innovation [2]. However, without adequate institutional support, its potential remains largely untapped.

Institutional development serves as the foundation upon which emerging capital markets can mature. It encompasses the establishment of transparent regulatory frameworks, investor-oriented disclosure systems, credible corporate governance, and mechanisms for protecting shareholder rights [3]. In particular, investor confidence depends on reliable flows of information, predictable legal norms, and the assurance that both majority and minority investors are treated fairly [4]. Global experience demonstrates that capital markets flourish when such institutions operate coherently, ensuring not only efficient capital allocation but also resilience against external shocks [5].

Scholars emphasize that decisions by firms to go public or remain private are shaped not only by capital needs but also by corporate governance quality, dividend policies, and valuation metrics, all of which determine the degree of institutional investor interest [6]. Other studies demonstrate that the method of share allocation and the overall informational environment directly affect the level of underpricing in initial offerings, underscoring the role of transparent procedures in achieving fair pricing and stable post-listing liquidity [7]. Research also points to the importance of consistent regulatory frameworks and predictable economic conditions, as these factors significantly influence the scale and quality of primary market activity [8]. Closely related findings show that enhanced disclosure standards and more accurate valuation practices reduce the gap between offering and trading prices, thereby supporting long-term investor confidence [9].

At the same time, the literature draws attention to the structural features of markets at earlier stages of development. Analyses of liquidity indicators highlight their sensitivity to information shocks and to trading concentration in a limited number of securities, making order book depth and reliable disclosure key determinants of reduced transaction costs [10]. Other contributions establish a direct link between the availability of diversified financial instruments, improved transparency, and the transmission of savings into productive investment, while noting that these effects are heavily conditioned by the institutional quality of governance and the presence of long-term investors [11].

Finally, several works stress the necessity of aligning local practices with global standards. Authors argue that establishing comparable reporting requirements, adopting investor-friendly listing procedures, and introducing advanced investor relations systems can serve as effective bridges between issuers and a broader investor base [12]. Taken together, these studies suggest that institutional development requires not only regulatory reforms but also the systematic integration of disclosure, governance, and investor engagement mechanisms, which are indispensable for transforming capital markets into sustainable drivers of investment and economic growth. Building on these insights, it becomes evident that Uzbekistan stands at a turning point, where closing existing institutional gaps could determine the future trajectory of its financial system. By addressing weaknesses in transparency, investor protection, and market participation, the country has the opportunity to establish a capital market that not only supports economic diversification but also fosters investor confidence, thereby creating a more resilient financial system capable of withstanding both domestic and international challenges [13].

## 2. Materials and Methods

The methodological basis of this research relies on a combination of statistical analysis, abstraction, induction, and deduction, which together provide both empirical grounding and theoretical interpretation of Uzbekistan's capital market development. Statistical methods are applied to describe the current state of the market using official indicators. Abstraction is used to isolate the essential features of market development from the diversity of empirical observations. Abstraction thus helps to reveal the systemic logic behind reforms rather than focusing solely on their fragmented manifestations. Induction plays an important role in building general conclusions from specific cases. Deduction, in turn, is used to test the internal coherence of proposed reforms. Deductive analysis ensures that the proposed recommendations are not only conceptually appealing but also practically consistent with expected outcomes. Together, these methods create a balanced research design, statistical analysis provides a factual baseline, abstraction builds a systemic vision, induction derives general tendencies from concrete evidence, and deduction verifies the internal logic of institutional reforms. This integrated approach makes it possible to generate scientifically grounded and practically relevant recommendations for strengthening Uzbekistan's stock market institutions.

### 3. Results and Discussion

In 2024, the market capitalization of Uzbekistan's stock market amounted to roughly 16–17 percent of GDP [14][15]. This means that the total value of listed shares is about one-sixth of the size of the national economy. For comparison, in developed countries this figure typically exceeds 100 percent. Therefore, Uzbekistan's stock market still has considerable room for expansion. At the same time, the gradual increase in capitalization over recent years reflects positive momentum, although the market remains at an early stage of development.

The number of listed companies presents a mixed picture. According to the World Bank, there were 89 firms listed at the end of 2024, while data from the Tashkent Stock Exchange indicate about 103 issuers [16][17]. The discrepancy stems from different counting methodologies. What is more important is that even with around one hundred listed companies, trading is highly concentrated in just a few large enterprises. In other words, the market has "breadth" in terms of listings, but still lacks "depth" when it comes to liquidity and diversity.

Trading volumes show a modest upward trend. During the first nine months of 2024, the exchange recorded more than 358 thousand transactions with a total value of 2.44 trillion sums [18]. On the one hand, this demonstrates growing investor interest. On the other, once converted into U.S. dollars and compared internationally, the figures remain modest. This indicates that liquidity is still low, and investors tend to focus on a narrow circle of "blue-chip" companies.

Ownership patterns confirm a strong presence of the state. As of early 2025, Uzbekistan had 688 joint-stock companies, of which 261 (about 38 percent) included state participation [19]. Moreover, the state controlled almost 80 percent of the total capital of these firms. This structure makes state-owned enterprises the backbone of the market. On the positive side, such dominance ensures stability and steady supply of securities. On the negative side, it limits private initiative, reduces free float, and can dampen interest among individual investors, see figure 1.



**Figure 1.** SWOT Analysis of Uzbekistan's Stock Market (Based on 2024–2025 Data)

In recent years, the development of public offerings in Uzbekistan has become one of the priority directions of capital market modernization. Although the number of IPOs and SPOs remains limited, these instruments are widely seen as indicators of market maturity and the level of investor confidence. The experience of the “Xalq IPO” initiative demonstrated that the state’s participation in privatization programs through market instruments can not only diversify sources of financing but also engage broad segments of the population in investment activities. The first “People’s IPO,” conducted in 2024, revealed strong interest among retail investors and the willingness of citizens to allocate savings under conditions of accessible information and transparent rules. However, the volumes raised remain modest, highlighting the need to institutionalize such offerings and to establish a systematic IPO and SPO calendar.

The structure of investors in the market is still unbalanced: institutional players are weakly represented, with activity limited mainly to banks and a few insurance companies, while pension funds and investment firms are virtually absent. This narrows the base of long-term capital and makes the market dependent on the short-term behavior of retail investors. Foreign participants show interest primarily in privatization projects and large issuers; however, their involvement is constrained by insufficient transparency in corporate reporting and limited liquidity of traded securities.

Investor activity has been gradually expanding. As of early 2025, the unified depository system recorded more than 835,000 accounts, the vast majority belonging to individuals. Nevertheless, only around 712,000 accounts were active, which indicates a significant reserve of “passive” investors. A key factor in engaging minority shareholders in governance has been digitalization: in 2024, 69 shareholders’ meetings were held through the eVOTE system, increasing participation and reducing costs for minority investors. At the same time, stable dividend payments by major issuers remain a crucial indicator of trust. Regular and timely disclosure of profit distribution decisions on the stock exchange website and the openinfo.uz portal strengthens investor expectations of returns and reduces information asymmetry [20].

Information transparency remains one of the most sensitive areas. Although the government require listed companies to disclose annual reports, the actual level of compliance with these requirements remains uneven. The stock exchange has introduced automatic synchronization with the government portal openinfo.uz, which represents a step toward centralizing and facilitating access to information. Yet the quality of disclosure in terms of completeness, timeliness, and machine-readability still varies significantly. This creates barriers for foreign investors who rely on international standards and slows the development of investment relations with institutional players [21].

Overall, positive changes can be observed in public offerings and investor activity, but their impact remains limited due to the weak role of institutional investors and insufficient transparency. To move to the next stage of development, Uzbekistan’s capital market requires a more systematic approach to IPOs and SPOs, greater encouragement of minority shareholder participation, and standardized corporate disclosure. Only under these conditions can the market evolve into a full-fledged instrument for attracting capital and strengthening investor confidence, see Table 1.

**Table 1.** Key Indicators of Uzbekistan’s Capital Market (2023–2025)

Indicator	2023	2024 (9 months)
Market capitalization, % of GDP	15.2	16.4–16.7 [14; 15]
Number of listed issuers	92	105 (101 JSCs + 4 bond issuers)
Trading volume, trillion soums	1.86	2.44
Number of transactions, thousand	310	358
Registered depository accounts, thousand	801	835.8

Active accounts with professional participants, thousand	689	712
Share of individuals among depository accounts, %	91.9	92.4
Number of eVOTE shareholder meetings	52	69
Funds raised through "Xalq IPO," billion soums	–	42.9

When assessing the institutional development of Uzbekistan's stock market, it is important to compare its progress with other regional markets that share similar structural features but differ in the pace of reforms and investor engagement. Countries such as Turkey, Kazakhstan, and Azerbaijan provide useful benchmarks. Turkey represents a more mature emerging market with a strong IPO pipeline and high retail investor activity. Kazakhstan demonstrates the impact of large-scale privatization through capital markets and the gradual build-up of institutional infrastructure. Azerbaijan, in contrast, is only beginning its journey, having launched its first IPO in 2024 [22]. Such a comparison helps to better evaluate Uzbekistan's current stage and identify which institutional mechanisms might accelerate its integration into regional and global capital flows.

Turkey has built one of the most dynamic equity markets among emerging economies in the wider Eurasian region. Over the past four years, 192 IPOs were conducted on Borsa İstanbul, raising a total of USD 9.4 billion, while the number of active investment accounts exceeded 15 million, of which 6.6 million related to equities [23]. This indicates not only a high frequency of public offerings but also the breadth of investor participation. A useful metric is the free-float ratio, which in the BIST-100 index stands at approximately 31–32 percent (TRY 3.045 trillion in free-float capitalization against TRY 9.623 trillion in total capitalization) [24]. The combination of frequent IPOs, a large free-float base, and strong secondary liquidity places Turkey in the category of advanced emerging markets with a sustainable ecosystem for both retail and institutional investors.

Kazakhstan illustrates the role of privatization as a driver of capital market development. The 2024 IPO of Air Astana raised around USD 370 million, with 58 percent of shares purchased by local investors and a free-float of at least 25 percent [25]. At the same time, the Astana International Exchange (AIX) reported total fundraising of USD 2.3 billion in 2024, while equity turnover more than doubled from USD 582 million to USD 1.3 billion [26]. Kazakhstan Stock Exchange (KASE) has also introduced methodological adjustments that integrate the free-float parameter (Fi) into index calculations, strengthening the transparency of market indicators [27]. These developments position Kazakhstan in the "catch-up" group: IPO activity is present but not yet regular, while the share of free-floating securities is rising gradually, signaling the transition toward a deeper and more investable market.

Azerbaijan represents the opposite end of the spectrum. In 2024, the Baku Stock Exchange hosted its first IPO (ABB), while the overall size of the primary equity market reached only 70.7 million AZN, with secondary market turnover of 12.5 million AZN [28]. This reflects the early stage of market development, where both the supply of issuers and the demand from investors remain limited. The introduction of remote trading for equities and the regulatory requirement for issuers to maintain a certain level of free-float provide a foundation for future growth, but for now Azerbaijan remains in the "starting phase" of capital market institutionalization [29], see figure 2.

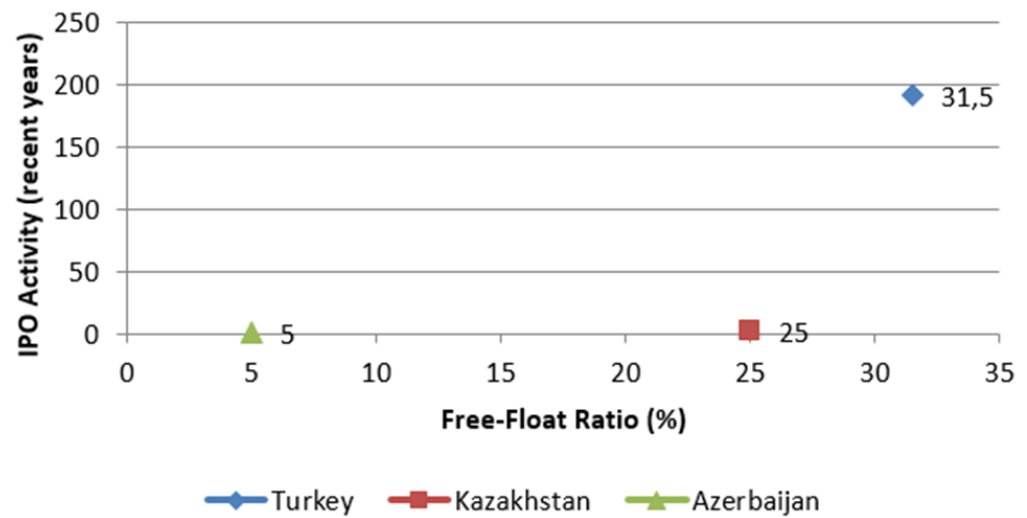


Figure 2. IPO Activity vs Free-Float Availability

The graph illustrates a comparison of capital markets in Turkey, Kazakhstan, and Azerbaijan by linking IPO activity with the availability of free-float shares. On the horizontal axis lies the free-float ratio, which shows the proportion of shares that are actually available for trading, while the vertical axis represents IPO intensity, measured by the number of public offerings in recent years. The size of the bubbles reflects the liquidity of the secondary equity market, meaning the larger the bubble, the more active trading is in that country. Turkey appears in the top right corner with a free-float ratio of around 31–32 percent and 192 IPOs over the past four years, which clearly demonstrates a mature market with a deep base of active investors and strong secondary turnover. Kazakhstan, with a free-float of about 25 percent and only several but significant IPOs such as the USD 370 million listing of Air Astana in 2024, stands in the middle position. The size of its bubble indicates that liquidity is increasing, and the country is moving toward a more sustainable capital market structure supported by privatization. Azerbaijan is situated at the bottom left, with only one IPO in 2024 and a very limited free-float ratio of roughly 5 percent. Its bubble is very small, reflecting weak liquidity and the early stage of market development. Taken together, the graph shows Turkey as a mature emerging market, Kazakhstan as a developing market driven by privatization impulses, and Azerbaijan as a nascent market with significant but as yet unrealized potential.

#### 4. Conclusion

The analysis of Uzbekistan's stock market reveals significant strides in its institutional development, particularly in the areas of market capitalization, digitalization, and public participation through initiatives such as the "Xalq IPO." However, several institutional challenges persist, including fragmented information flow, low engagement of minority shareholders, and the irregularity of public offerings. These limitations hinder the market's transformation into a robust mechanism for long-term economic financing. The findings highlight the necessity for comprehensive reforms, such as the establishment of a unified digital platform for investors, improved transparency, and the institutionalization of IPO and SPO processes to create a predictable market environment. Additionally, enhancing the active participation of minority shareholders through digital tools like eVOTE is crucial. Future research should focus on the implementation and impact of these reforms, particularly in fostering deeper institutional investor engagement and increasing market liquidity. Further comparative studies with other emerging markets can offer valuable insights for Uzbekistan's capital market integration into the global economy.

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