

The Stock Market in Uzbekistan and the Opportunities and Risks of Investing in it

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Abstract: This article analyzes the current state of the stock market in the Republic of Uzbekistan, development prospects, and investment opportunities. Opportunities, and risks for market infrastructure, key players and investors are explored.

Key words: stock market, investment, shares, stock exchange, financial risks, capital market, regulation, economy of Uzbekistan, financial instruments, market infrastructure.



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INTRODUCTION

The development of the securities market in the Republic of Uzbekistan is an important component of the process of economic reforms and transition to a market economy. As a result of the economic reforms implemented since the beginning of the 1990s, an independent financial market infrastructure was formed in the country.

The stock market plays an important role in attracting investment, efficient allocation of capital, and improving corporate governance. The development of this market is of decisive importance in the processes of sustainable growth of the national economy and integration into international financial markets.

The legal basis of the stock market in Uzbekistan was created by the Law "On Securities and Stock Exchange" adopted on September 2, 1993. This area was subsequently regulated by the new Securities Market Law in 2008 and is constantly being improved. In addition, according to the decision of this State Government No. 387 approved on May 15, 2015: "The following are prohibited in the stock market:

issue securities without disclosing information related to the issuer or securities;

placement and circulation of emission securities whose issuance is not state-registered or suspended in the cases provided for by this Law;

the owner of securities enters into transactions with the securities in his depository account until the value of them is fully paid, excluding the use of netting;

trickery and use of insider information"¹

Shares, bonds, and government bonds of enterprises are the main types of securities. Securities give the right to participate in the capital of the enterprise or to lend money and receive income in the form of dividends or interest. Stocks are also important in stock exchanges because they bring income to their owners through trading.

Analysis and results:

The main institutions of the stock market in Uzbekistan were established in the mid-1990s. On April 8, 1994, the "Tashkent" Republican Stock Exchange started its activity, and it is currently the only stock exchange in the country.

The main elements of the market infrastructure are:

- "Tashkent" Republican Stock Exchange;
- State bodies regulating the stock market;
- Professional participants (broker-dealers, depositories);
- Joint stock companies and issuers.

The activity of the stock market is regulated by the following main regulatory documents:

- Law of the Republic of Uzbekistan "On Securities Market".
- Regulatory documents issued by the Central Bank
- Regulations established by the Ministry and State Committees

It is worth noting that from July 1, 2025, the anti-fraud rules in the stock market will come into force, which is an important step towards increasing market security.

There are a number of opportunities for investors in the stock market of Uzbekistan. Currently, joint-stock companies with a state stake are actively participating in the market, and there is an opportunity to buy and sell shares of joint-stock companies listed on the stock exchange. Investing in government and corporate bonds is a fixed-income investment tool in the bond market. A diversified investment portfolio is formed in the bond market through collective investment institutions.

The TCI Composite index of the "Tashkent" stock exchange reflects the general state of the market. This index is calculated on the basis of prices of transactions made with shares of joint stock companies included in the official stock exchange listing.

It should be said that, like any market, there are major risks associated with investing in the stock market of Uzbekistan.

¹ <https://lex.uz>

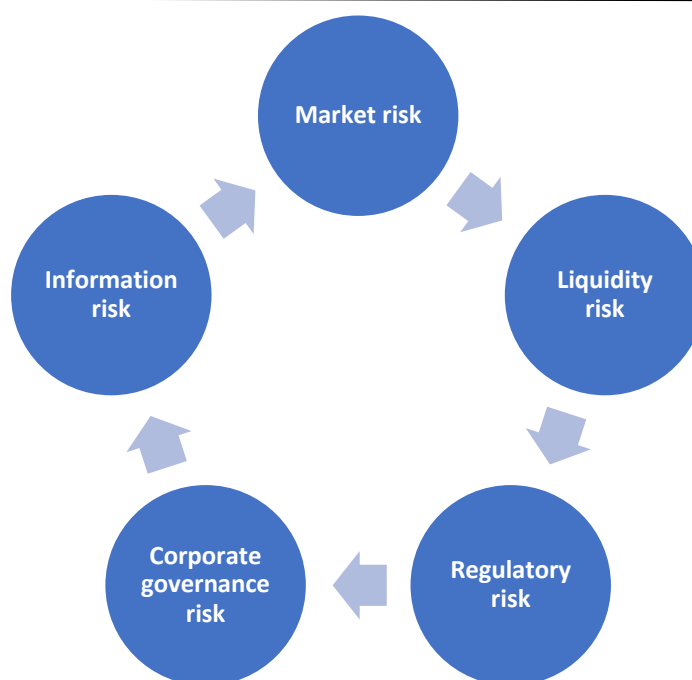


Figure 1. The main risks associated with investing in the stock market of Uzbekistan

Market risk is the risk of a decrease in the price of securities due to changes in the economic situation, inflation and exchange rates. Liquidity risk is the difficulty of converting investments into cash quickly due to the relatively small market size and the low trading volume of some securities. Regulatory risk—risks that may arise from changes in legislation and regulatory requirements. Corporate governance risk The risk of incomplete implementation of modern corporate governance standards in some joint-stock companies. Information risk is the risk of not providing relevant and timely information to market participants or the spread of incorrect information.

Conclusion:

In short, the stock market of Uzbekistan is currently at the stage of development, creating a number of opportunities for investors. Among the main advantages of the market, it is necessary to highlight the constant support from the state, the improvement of the regulatory framework, and the high rate of economic growth.

However, factors such as the relative youth of the market, the development of the infrastructure, and the low level of liquidity increase investment risks. Therefore, investors are advised to conduct a detailed analysis and seek professional advice before investing.

In the future, activation of privatization processes, further development of market infrastructure, and improvement of the regulatory system according to international standards are expected to increase the attractiveness of the stock market of Uzbekistan. The most important recommendation for investors is to develop their investment strategy by applying the principle of diversification, clearly defining investment goals and correctly assessing market risks.

In recent years, expansion of the privatization process for the future development of the securities market - based on the 2025 privatization program, it is planned to sell 30 trillion soums of state assets, and several reforms and projects are being implemented to modernize the market infrastructure and improve electronic trading systems, to deepen the integration processes in international financial markets.

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