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THE PRACTICE OF FINANCING REAL SECTOR ENTERPRISES THROUGH THE PLACEMENT OF SHARES

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Abstract. This article examines the role of real sector enterprises in the economy of the country, the state of their financing through securities. The activities of real sector enterprises in the stock market are considered. Also analyzed the public offering and results of shares of JSC "Kvarts".

Keywords: Economy, real sector, financial stability, issuer, investor, securities, GDP, stock, investment, economic stability, enterprise, joint stock company, stock market, financial market, financial sector, IPO, SPO

Introduction

In our country, special attention is paid to the formation and gradual improvement of the foundations of a market economy, primarily the regulatory and legal framework. In particular, in order to ensure the effective functioning of the financial market of our country, the securities market is developing rapidly.

The real sector of the republic's economy requires constant modern and convenient sources of financing. These processes require constant updating of regulatory requirements for financing enterprises, increasing the attractiveness of issuers in accordance with modern requirements and sectors of the economy that are convenient for investors and have a low risk of losses.

Currently, there is ongoing research and development around the world to ensure the financial sustainability of enterprises and, where necessary, find convenient sources of funding. Within the framework of scientific research and research, special attention is paid to various modern and low-risk methods of financing enterprises, especially enterprises in the real sector. As a result of the study, not only developing countries, but also developed countries have unresolved scientific, theoretical and practical problems on the best ways to finance enterprises

in the real sector. Most of the problems were exacerbated during the pandemic. The websites of issuers and exchanges do not fully disclose the information necessary and convenient for all investors, the stages of issuing securities, ways to increase the attractiveness of enterprises and the factors that affect them. Therefore, it is necessary to conduct research to improve the mechanisms of financing enterprises in the real sector at the expense of securities.

According to the experience of the country's economy, enterprises in the real sector are financed mainly from the state budget, modern means of attracting financial resources are not fully used, the role of securities is low, capital turnover in financial markets is low, and there is little practice. attracting direct resources from international financial markets. On the contrary, there are a number of problems, such as the complexity of the emission stages.

Another confirmation of the relevance of this topic is in the third direction of the "Strategy of Action"¹ for 2017-2021 "Further development and liberalization of the economy" to pursue an active investment policy aimed at modernizing production, technical and technological renewal, production, implementation of social infrastructure, transport and communication projects; introduction of modern standards and methods of corporate governance, strengthening the role of shareholders in the strategic management of enterprises.

Literature review

Concepts such as the real sector of the economy, enterprises of the real sector are actively used in modern economic literature, scientific and popular journals and statistical collections.

The concept of the real sector of the economy is one of the most widely used concepts of the 21st century, the real sector of the economy is a large structure that includes tangible and intangible industries, in addition to enterprises providing financial services.

¹ Decree of the President of the Republic of Uzbekistan "On the action strategy for further development of the Republic of Uzbekistan." <https://www.lex.uz/acts/3107036>

Anvar Gumerova, Andrey Sarkinb Boris Averyanov, Svirina Anna, Bagautdinova Nailya, Gafurov Ilshat, J. Brigham, R. Braille, A. Damodaran, G. Desmond, L. Gapensky, A. Greenspan, K. from foreign authors such as Griffith, R. Kelly, T. Koller and others studied the activities of enterprises in the real sector. Real sector enterprises and the directions of their financing are widely studied in the work of such scientists as T. Copeland, S. Myers, M. Miller, F. Modigliani, D. Morris, J. Murrin, S. Pratt, K. Walsh, D. Finnerty, R. Hampton, D. Hay.

In particular, in the study by Anvar Gumerov, Andrey Sarkinba, Boris Averyanov analyzes the financial stability of enterprises in the real sector and the role of the stock market in achieving financial stability².

In her researchs O.Izryadnova also used such indicators, the true cost of credit, reduction of profits and incomes, as well as access to international capital for the analysis of the real sector of the economy³.

In the study by Khalil Muhammad and Chaisrisawatsuk Santi, the real sector of the economy is a key part, because the activities of this sector confirm the economic results, and the economy is represented by the economic segments necessary for GDP growth, provided that this sector has a healthy financial system; Thus, the development of the financial sector is considered one of the instruments for the growth of the real sector⁴.

Among Uzbek scientists, the structure of the securities market, types of securities and the activities of the stock exchange were studied in the study by Sh.Sh. Shoazami⁵.

M.B. Khamidulin foresees the practice of bilateral financing as an important feature of corporations, in which, on the one hand, financing is carried out through

² Anvar Gumerova, Andrey Sarkinb Boris Averyanov. Elaboration of Enterprise Development Strategy in Real Sector of Economy Using Quality Management Tools// *Procedia Economics and Finance*//Volume 15, 2014, Pages 687-694

³ Izryadnova, Olga, *The Real Sector of the Economy: Factors and Trends in March 2015* (May 27, 2015). Russian Economic Developments. Moscow, 2015, #5, pp. 20-22. Available at SSRN: <https://ssrn.com/abstract=2611220> or <http://dx.doi.org/10.2139/ssrn.2611220>

⁴ Khalil, Muhammad & Chaisrisawatsuk, Santi. (2018). Relationship Between Financial and Real Sectors: Implications for Stable Economic Development (Evidence from Thailand). *International Journal of Economics and Finance*. 10. 204. 10.5539/ijef.v10n6p204.

⁵ Shoazamy Shoomansur Shonazir Uli. Methodological foundations and priorities for the strategic development of the securities market in Uzbekistan. 08.00.07- "Finance, money circulation and credit". Abstract. T.: 2011.

amortization, retained earnings, and on the other hand, through the issue and sale of securities⁶. This aspect is suitable for joint stock companies in our country.

S. Elmirzaev also noted in his research: “The financial market has undoubtedly played an important role in the financial and economic development of developed countries and their current level. He emphasized the importance of financing the real sector, channeling free funds into production, developing new directions, covering the state budget deficit with non-inflationary means, increasing the income of the population at the expense of financial resources”⁷.

However, the mechanism for financing real sector enterprises at the expense of securities, the weight of effective and fully researched scientific works in our country is low, which creates the need for extensive research on this topic.

Analysis and results

The real sector of the economy - includes large industries such as wholesale and retail trade, energy, production of consumer goods, industrial production, transport and logistics, oil and gas, metallurgy, medicine and pharmaceuticals, mining, telecommunications and information technology, tourism and hospitality, agriculture.

According to a study conducted by the Central Bank of the Republic of Uzbekistan on the current economic situation and prospects of enterprises in the real sector of the economy, the number of enterprises and organizations by industry in January 2021 amounted to 702, of which 356 (50.7%) in industry and 174 (24.8%) in the service sector, 81 (11.5%) in trade and 91 (13%) in construction. The following figure shows the change in the number of enterprises operating in sectors of the economy from 2019 to 2021 (Figure 1).

⁶Khamidulin M.B. Development of the financial mechanism of corporate governance: Author's abstract. Diss to apply for doc. econom. sciences. - Toshkent, 2008 .-- P. 10.

⁷ Elmirzaev S. and others. Financial market. Textbook, page 18, Tashkent 2019

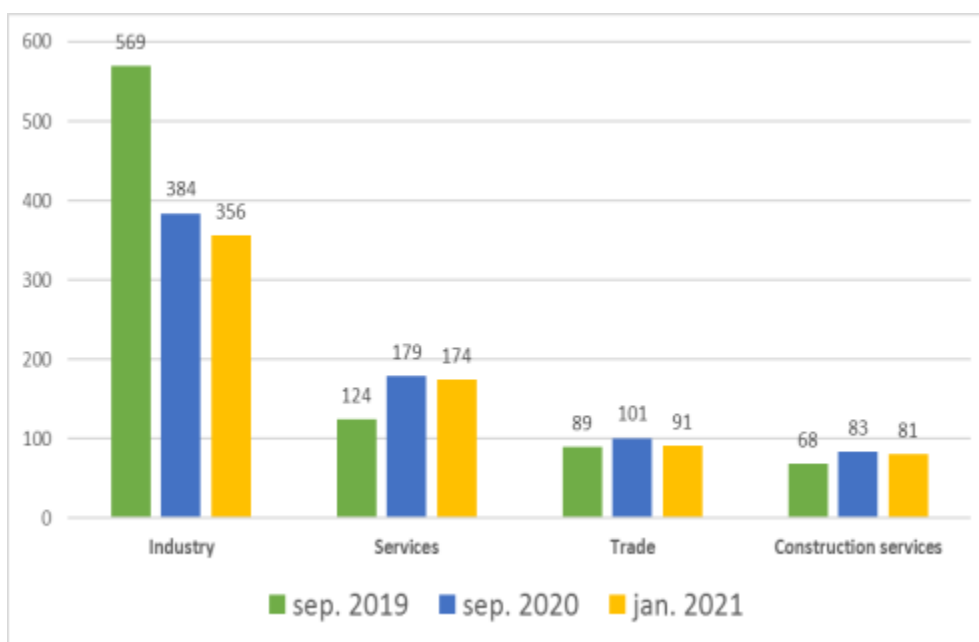


Figure 1. Distribution of enterprises and organizations by sectors⁸

On the given figures, only the decrease in the number of industrial enterprises has been observed in the last two years. By 2021, compared to September 2019, the number of enterprises in the industrial sector decreased by 37.4%. The number of enterprises increased by 40.3% in services, 2.2% in trade and 19.1% in construction services. In general, the number of enterprises in January 2021 decreased by 148 or 17.4% compared to September 2019. The increase in the number of enterprises working in the services, trade and construction sectors can be explained by the ongoing pandemic since the beginning of 2020. During this period, the demand for services and trade has increased significantly.

In the context of regions, the share of Tashkent city in the total number of enterprises and organizations is 9.1%, Tashkent region - 11%, Samarkand region - 9.1%, Fergana region - 6.1%, Kashkadarya region - 5.1%, Bukhara region - 7.%. and the specific weight of the Republic of Karakalpakstan - 7%, Navoi region - 6.1%, Jizzakh region - 5.4%, Andijan region - 6.6%, Namangan region - 7.8%, Surkhandarya region - 6.4%, Syrdarya region 6.6 percent⁹.

⁸<https://cbu.uz/oz/publications/survey-results/>

⁹https://cbu.uz/upload/medialibrary/3e0/Iqtisodiy-faollik-indeksi_yanvar_2021.pdf

In modern conditions, borrowing is an integral part of financing the real sector of the economy. Compared to the financial sector, low profitability and long-term self-esteem, it is very difficult to quickly modernize the required production facilities using our own funds only in the context of rapid technological development. Thus, enterprises in the real sector seek to modernize enterprises by issuing emissive and non-imperial securities. That is, the financial sector plays an important role in the development of the real sector at the expense of securities and debt.

Currently, the main sources of financing for enterprises in the real sector are mainly their own funds, bank loans, deductions from the state budget, and the system of financing through securities does not play a greater role than other sources of financing in terms of practical efficiency. Resolution of the President of the Republic of Uzbekistan dated April 29, 2019 No. PR-4300 "On measures to further improve the mechanisms for attracting foreign direct investment in the economy" of the state's share in the authorized capital of enterprises of the economic, chemical, oil and gas industry (shares).

According to the current legislation, securities are documents confirming property rights or debt relations between the legal entity that issued these documents and their owner, providing for the payment of income in the form of dividends or interest, as well as the transfer of rights arising from these documents.

In accordance with the legislation of the Republic of Uzbekistan, legal entities have the right to issue securities, and legal entities and individuals can own securities. In our country, such types of securities as stocks, bonds, international bonds, corporate bonds, bills of exchange, options, certificates of deposit are regulated by law¹⁰.

Many factors influence the investment attractiveness of a securities company. These are: the financial condition of the enterprise, the organization's management system, types of products, the transparency of the enterprise, the external environment (competitors, partners), internal data, rumors and much more.

¹⁰ Law of the Republic of Uzbekistan "On Securities Market". Collection of Legislation of the Republic of Uzbekistan, 2015, No. 22, Article 287; National Database of Legislation, 05.01.2018, No. 03/18/456/0512; 16.01.2019, 03/19/516/2484, 21.03.2019, 03/19/531/2799, 05.04.2019, 03/19/533/2885. <http://www.lex.uz/acts/2662539>

The shares will need to be issued in the course of the company's reorganization, in the event of a change in the size of the authorized capital, as well as in the process of increasing and splitting shares. In all these processes, stocks serve as a source of funding.

The placement of shares is carried out in the following forms, including the transfer of shares to their original owners:

open subscription - placement of shares among an unlimited number of investors using advertising, including placement of shares by open subscription;

private subscription - placement of shares among a previously known limited number of investors without a public announcement and without an advertising campaign.

In accordance with the Law of the Republic of Uzbekistan "On Joint Stock Companies and Protection of Shareholders' Rights" No. 370 dated May 6, 2014, additional shares are distributed among all shareholders in the event of an increase in the authorized capital of the Company (authorized capital) from equity capital. In this case, the same type of shares owned by each shareholder are distributed in proportion to the number of shares owned by him. An increase in the charter capital (charter capital) of a company is not allowed if the increase in the charter capital (charter capital) of the company does not correspond to the par value of one share.

The authorized capital (authorized capital) of a company can be increased by placing additional shares. Additional shares may be placed by the company only within the limits of the number of authorized shares specified in the charter of the company.

The issue of securities allows enterprises to implement large financial investment projects. Shareholders receive a portion of corporate profits called dividends. Dividends depend on the share of profit, its relation to the shares held and consumed, the investment policy of the company and other factors. The owner of the shares also has a number of other business rights, such as the right to vote and the right to be elected to the management of the corporation.

According to the data, in 2004 there were 1,800 joint stock companies operating in the country. According to the Central Securities Depository, 604 joint stock companies operated in Uzbekistan in 2018¹¹ (Figure 2).

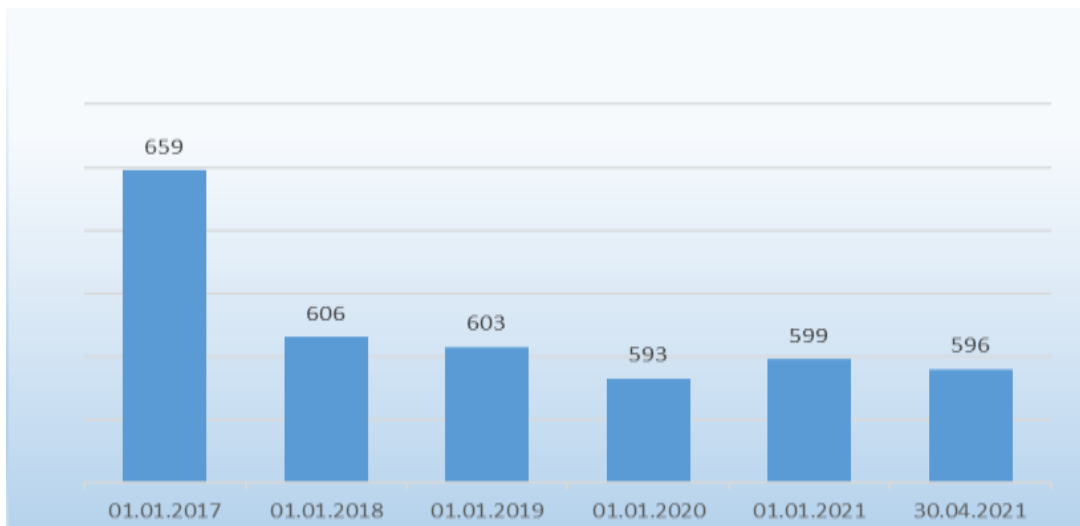


Figure 2. Change in the number of joint stock companies (number)¹²

The corporate governance system in joint stock companies in Uzbekistan is being adapted to the requirements of international standards in form and content. In this regard, a number of decrees and resolutions of the President of the Republic of Uzbekistan have been adopted and are being implemented, aimed at a deep reform of the corporate governance system. In particular, on the basis of Decree No. 4720 of the President of the Republic of Uzbekistan dated April 24, 2015 "On measures to introduce modern corporate governance in joint-stock companies", the activities of joint-stock companies are being improved. The number of joint stock companies decreased from 659 to 595 or 10% as of January 1, 2021 compared to January 1, 2017.

Also, to analyze the state of the above tasks, Figure 3 shows the annual changes in the total volume of shares issued by joint stock companies.

¹¹ <http://uza.uz/oz/society/zbekiston-fond-bozori-rivozhlanishiga-nima-t-s-inli-ilmo-da-09-03-2018>

¹² Developed by the author on the basis of the official website of the state enterprise "Central Securities Depository". <http://www.deponet.uz>

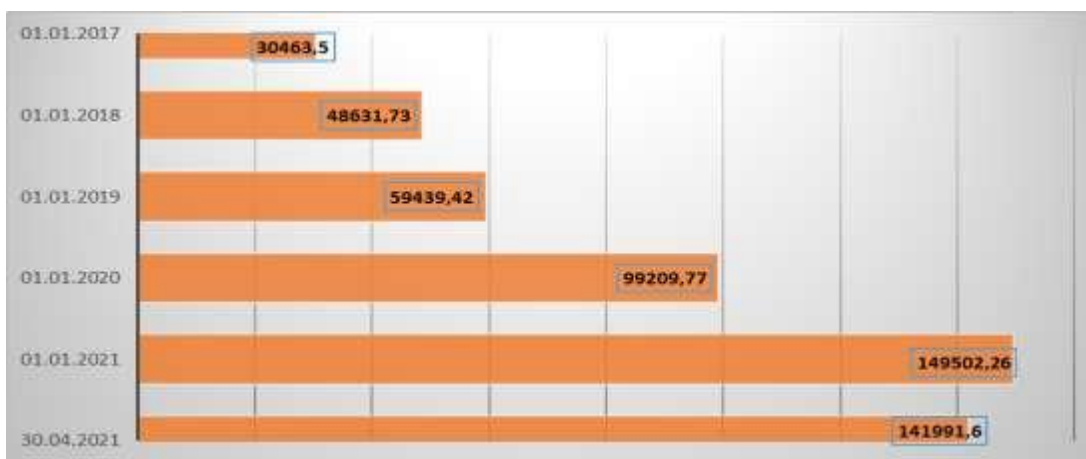


Figure 3. Dynamics of total volume of shares issued by JSCs (billion soums)¹³.

From the above data, we can conclude that over the past 4 years and in July 2020, the volume of shares in soums has increased. Annually, the volume of shares in soums increased by an average of 45% compared to the previous year, especially in the first 6 months of 2020 compared to 2019, increased by 57%.

Currently, the Central Securities Depository maintains records of issued securities with a par value of shares for 59.20 trillion soums of 593 joint-stock companies as of January 2020. Although the number of joint-stock companies has decreased by 10 compared to last year, the volume of issuance of securities increased by 39.77 trillion. soums.

The Central Securities Depository also keeps records of 785.6 thousand corporate bonds worth 488.06 billion soums. Of these, 735.6 thousand for 438.06 billion soums were issued by 5 commercial banks.

As of January 1, 2020, the state's share in 257 joint-stock companies amounted to 74.55 trillion. soums, including registration in the Central Depository of 238 joint-stock companies with a state share of 74.51 trillion. soums in the authorized capital. The shareholders of these joint-stock companies are state and local authorities, state unitary enterprises, state bodies, the Central Bank and the Fund for Reconstruction and Development of Uzbekistan.

¹³ Developed by the author on the basis of the official website of the state enterprise "Central Securities Depository". <http://www.deponet.uz>

The date when the issuer has the right to place shares in accordance with all procedures provided for by law is considered the date of the beginning of the placement.

The practice of public offering of shares is called IPO (Initial Public Offering), which means initial public offering, which is the meaning of the definition of public offering.

The company will begin the preparation process after analyzing its internal capabilities and deciding to conduct an IPO. This process reflected four stages and lasted for several years. IPO transactions require certain costs. In this case, the cost of the placement of shares can be conditionally divided into initial and constant.

To date, only 3 real sector enterprises in the country have announced the sale of shares through public offering (IPO) and secondary placement (SPO). Table 1 below shows the listings for the sale of shares 3 companies for public offering.

Table 1

Joint-stock companies that have announced the sale of shares through public offering (IPO) and secondary (SPO) public offering

№	Name of the joint-stock company	Name of joint-stock company	Form of implementation	Implemented period	Number of shares	Write the price of the stock, the unit	Total amount of shares
1.	JSC “Kvarts”	JSC “Kvarts”	IPO	December 2017-April 2018	4574934	3000-9100	7.84 billion soums
2.	JSC “Шахрисабз вино-ароқ”	State Competition Committee	SPO	2017-2019			
3.	JSC “Кўкон механика заводи”	JSC “Ўзбекнефтгазماش”	SPO	2018	2236452	1000-4000	

The table provides for the public offering of 10% of the authorized capital of joint stock companies for which IPO and SPO are planned. In this case, the maximum limit is set at which each investor can buy shares, and this figure cannot exceed 0.05 percent of publicly placed shares. The main goal of the IPO sale is the further expansion of production capacity, technical and technological modernization, as well as the creation of new jobs by attracting investments for the development of society. In turn, the sale of shares in joint-stock companies will further expand the class of owners, give shareholders the right to participate in the management of the company and create an additional source of income in the form of dividends and an increase in the market price of shares.

Based on the above, we consider the stock market of OJSC "Kvarts" from the point of view of its activities in the stock market as one of the objects of research.

JSC "Kvarts" - began its main activity in 1975. The joint stock company mainly produces the following products: flat glass, glass jar, bottle, automotive glass and refractory materials. The joint-stock company is the largest and leading enterprise in the country. The largest shareholder of "Kvarts" OJSC is the State Property Management Center, which owns 71.15% of the shares. The joint-stock company for the first time publicly placed its shares (IPO) on the Republican Stock Exchange "Tashkent". In a short period, the volume of sales of 54% of shares of JSC "Kvarts" increased by 7.5 billion soums. The volume of securities purchased by subscription exceeded 2.4 million soums¹⁴.

Shares are offered by OJSC "Kvarts" in the form of open and closed subscription. During the last year, the placement of shares at par was announced. Dividends were paid to shareholders in the amount of 597.4 soums per share in 2015, 1,172.3 soums in 2016, 914.8 soums in 2017, XXX soums in 2018 and XXX soums in 2019¹⁵. In the past 2019, the JSC paid dividends in the amount of XXX soums from net profit.

Initially, the shares were sold for 1,715 soums (par), but now (as of July 24,

¹⁴<https://kvarts.uz/11042018/> Official website of JSC "Кварт".

¹⁵<https://docs.kvarts.uz/uz/index.php?subcat=7&PHPSESSID=af3f8b8a632f1c5b48748393ffde269a>

2020) the market value is 3,350 soums on the Tashkent Republican Stock Exchange.

As part of the SPO, it was planned to sell 4822460 shares of OJSC "Kvarts". According to the Tashkent Republican Stock Exchange, 2,153 applications were received for a total of 4,890,179 shares, which is 1.4% more than the volume of securities offered for subscription and amounted to 101.4%. The total amount of attracted funds is 16.03 billion soums. soums, Freedom Finance attracted the bulk of orders - 1,700 orders for 3,973,716 shares, which ensured the sale of 82.4% of securities. The volume of funds raised through Freedom Finance amounted to 13.03 billion soums. It should be noted that SPO OJSC "Kvarts" is the largest in terms of the volume of shares offered for sale for cash¹⁶.

Until the first half of 2020, JSC "Kvarts" issued 9 shares, the following table shows the amount of shares issued by JSC "Kvarts" for the last 5 years. To date, the company has not issued corporate bonds.

Table 2

Shares issued by JSC "Kvarts" in 2015-2019¹⁷

№	Type of shares	Date of issue	Number of shares	Nominal value of one share (soums)	Total volume of issued shares (soums)
1.	Simple	August, 2015	23 963 940	1 715	41 098 157 100
2.	Simple	June, 2017	21 785 400	1 715	37 361 391 000
3.	Simple	September, 2017	4 574 934	1 715	7 846 011 810
4.	Simple	June, 2019	48 244 609	1 715	82 705 204 435

The authorized capital of OJSC "Kvarts" is 8,270,5204435 soums, the total number of voters is 96,449,218. The table shows that according to the decision to issue securities in 2015, 23,963,940 ordinary shares were issued with a par value of 1,715 soums, and the total volume of the issue amounted to 41,098,157,100 (41

¹⁶ <https://uzreport.news/economy/freedom-finance-yil-natijalarini-sar-isob-ildi>

¹⁷ <https://kvarts.uz/?lang=uz> Prepared by the author based on information from the official website of the JSC «Кварц»

billion 98 million 157 thousand 100) soums.

When in April 2018 the shares of OJSC "Kvarts" were sold through an IPO, its shares became one of the most liquid instruments on the exchange. In April-December 2018, the company's shares amounted to 2 billion soums. 87 million soums, and in January-September 2019 - 2 billion. Applications for 99 million soums have been submitted. If during the IPO one share was sold at a price of 3,000 to 4,000 soums, then in May 2018 they were sold for 5,000 soums, and in June 2019 even for 9,000 soums. These results are a prime example of how stocks are a source of income. Taking into account the fact that the net profit of the "Kvarts" company is growing from year to year, one can see that the dividends are stable¹⁸.

Conclusion

The authorized capital of a company consists of the par value of the company's shares received by shareholders and is expressed in the national currency of the Republic of Uzbekistan. The par value of all shares issued by the Company must be the same¹⁹.

The study concluded that in international practice, the issue of securities implies the adoption and approval of an official decision, state registration, placement of securities on stock exchanges, organization of state registration of a report on its results.

The issue of securities is very important, at the same time, the change in the legal status of the company (transformation into a joint stock company), the free sale of its shares (stakes), the disclosure of information lead to serious consequences, so it is necessary to carefully consider the pros and cons, the issue of their implementation needs take it seriously.

In general, based on the above, the following conclusions can be drawn:
training of experienced specialists for the securities market with the involvement, if necessary, of experienced specialists from abroad;
increase the competitiveness and attractiveness of the stock market

¹⁸ <https://kvarts.uz/nu77/?lang=uz>

¹⁹ Law of the Republic of Uzbekistan "On Amendments and Addenda to the Law of the Republic of Uzbekistan" On Joint Stock Companies and Protection of Shareholders' Rights" No. 370, May 6, 2014

active integration with international financial markets, widespread use of modern information and communication technologies and the use of successfully tested foreign experience;

creation of favorable conditions for investors in the securities market;

The level of taxation in the country where the investor's activities are organized should also be taken into account when making presentations in order to attract investors.

the seasonality factor should also be taken into account when determining the term for a public offering.

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