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THEORETICAL FOUNDATIONS FOR IMPLEMENTING A PEOPLE'S IPO PROCESS IN JOINT-STOCK COMPANIES

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Abstract

This article presents the theoretical foundations for implementing a people's IPO process in joint-stock companies with state ownership. It also analyzes the condition of joint-stock companies where people's IPOs have been carried out. Furthermore, it explores the issues related to people's IPOs and suggests solutions for overcoming them. In addition, scientific proposals and practical recommendations have been developed to address the identified problems in the people's IPO process within joint-stock companies.

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Introduction

Extensive scientific research is being conducted globally to improve the practice of public placement of shares. These studies cover topics such as the role of public placement in the economy, its types and essence, and the importance and necessity of organizing this process by corporate structures. However, many of these studies do not adequately explore issues and patterns specific to the effective organization of public placement, the use of public placement for privatization, the effectiveness of post-placement investor relations systems, or the role of trading organizers in this process. This indicates the importance of further research on developing privatization through public placement, improving investor relations, and paying attention to the specific activities of trading organizations.

Currently, Uzbekistan is undertaking wide-scale efforts to develop its securities market. In recent years, the institutional foundations for the development of the securities market have been established. Nevertheless, the absence of an independent state body responsible for the development of the financial market, the inefficient operation of the stock market, and the underdeveloped mechanisms for valuing market assets hinder full use of the sector's potential. Therefore, the Development Strategy of New Uzbekistan for 2022–2026 set a specific goal: "To increase the turnover of the stock market from USD 200 million to USD 7 billion in the next five years in order to expand financial resources in the economy." This highlights the relevance of improving IPO programs of joint-stock companies, identifying issues related to public placement of shares, and scientifically developing ways to solve them, which forms the basis of this research.

Literature Review

As we know, conducting business is a complex process, and choosing its organizational form is important both for newly established and long-operating business structures. All corporate structures

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(joint-stock companies, limited liability companies, private enterprises, family businesses, etc.) have specific characteristics. Therefore, entrepreneurs must select a form that best suits their goals and needs [2].

N.R. Tursunova, in her study on "Effective Organization of Financial Support in Corporate Finance Management," thoroughly investigated the advantages and disadvantages of IPOs, as well as the stages of preparation and implementation [3].

K. Chinqolov noted that "through IPOs, a wide range of investors gain relevant information about the corporation, which increases funding sources and reduces costs associated with debt capital. One of the advantages of IPOs is the ability to attract large amounts of equity capital while covering public issuance and administrative expenses" [4].

In his study, K. Tillayev emphasized that in the public placement process of "Quartz" JSC, 45.89% of issued shares worth 6.3 billion UZS were not placed and were instead offered to "Uzmilliybank" JSC, which acted as an underwriter, at the average and discounted placement price. However, because the bank at the time was not structured as a joint-stock commercial bank and lacked sufficient experience in underwriting operations in the stock exchange, it declined the purchase. As a result, the unrealized profit amounted to 3.2 billion UZS as of June 24, 2020 [5].

A. Alikulov, in his study "Increasing Capital Inflow through the Stock Market in Uzbekistan," emphasized the effectiveness of the widely used "Book Building" method, which helps determine optimal and accurate prices for securities and facilitates the selection of potential investors. He concluded that this method is superior to fixed-price and auction methods [6].

A. Karimov, in his research "Developing the Securities Market through the Attraction of Idle Funds of the Population," argued that due to the high state ownership in joint-stock companies in Uzbekistan, selling these shares to private investors through SPOs is effective for further economic development and modernization.

The scholars mentioned above have thoroughly discussed the characteristics of IPO and SPO practices, international experiences, and the participation of institutional investors. Many scientific studies also focus on the organizational measures needed for successful public placement of shares (IPO, SPO), attracting international financial resources through effective placement on international stock exchanges, utilizing these resources efficiently, creating an optimal capital structure, and organizing a sound dividend policy in joint-stock companies. However, in Uzbekistan, issues such as attracting large investments to corporations via IPO and SPO, reducing state ownership to further develop the economy and financial market, improving corporate governance in joint-stock companies, and engaging the population in the stock market still lack comprehensive scientific solutions.

It is well known that "in international stock markets, IPOs are carried out based on a certain level of competitiveness. IPOs provide companies with additional investment, enhance their investment attractiveness and international reputation, and contribute to achieving business goals, addressing social issues, and fulfilling state obligations. Furthermore, access to international stock markets itself serves as a factor in a company's future development" [7].

Research Methodology

This article is based on regulatory and legal documents, a review of relevant literature, and verified internet sources. It includes comparative and critical analysis of economic scholars' theoretical perspectives related to the topic. During the study, general economic methods were used alongside systemic analysis, generalization, abstract-logical thinking, and statistical methods.

Analysis and Results

The first IPO and SPO operations in Uzbekistan were carried out on December 28, 2017. These

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initiatives were based on the Decree of the President of the Republic of Uzbekistan No. PF-4933 dated January 17, 2017, "On measures to accelerate the sale of state-owned assets for entrepreneurial purposes and further simplify related procedures" [8], and the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017–2021, signed by the President on February 7, 2017. These documents aimed to develop the stock market as an alternative source for placing public funds and achieve initial listings (IPOs) of certain national enterprises on prestigious foreign stock exchanges. They also called for introducing internationally recognized methods of managing state property and involving a broader population in the stock market.

In accordance with these goals, the Cabinet of Ministers adopted Resolution No. 268 on May 10, 2017, "On Organizing Public Offerings of Shares on the Stock Exchange," which included a list of joint-stock companies whose shares would be publicly offered through IPO and SPO mechanisms (Table 1).

Table 1. List of Joint-Stock Companies Scheduled for IPO and SPO under Resolution No. 268 (May 10, 2017)

No	Name of Joint-Stock Company	Initiator of Offering	Underwriter	Type of Offering
1	Quartz JSC	Quartz JSC	NBU	IPO
2	Shakhrisabz Wine & Vodka JSC	State Committee for Privatization	Asaka Bank	SPO
3	Kokand Mechanical Plant JSC	Uzneftgazmash JSC	NBU	SPO

As seen in Table 1, the shares of Quartz, Shakhrisabz Wine & Vodka, and Kokand Mechanical Plant were officially offered to the public through IPO and SPO for the first time in Uzbekistan. The underwriters assigned were NBU for Quartz and Kokand Mechanical Plant and Asaka Bank for Shakhrisabz Wine & Vodka. However, only Quartz and Kokand Mechanical Plant actually carried out their offerings.

Later, Decree No. 4265 dated April 3, 2019, "On Reforming the Chemical Industry and Increasing Its Investment Attractiveness," and Cabinet Resolution No. 358 dated April 26, 2019, further expanded the list of companies planned for public offering (Table 2).

Table 2. Companies Scheduled for IPO and SPO under Resolution No. 358 (April 26, 2019)

No	Joint-Stock Company	Initiator	Type of Offering
1	Uzsanoatqurilishbank JSCB	Uzsanoatqurilishbank JSCB	IPO
2	Aloqabank JSCB	Fund for Reconstruction and Development / Uzbektelecom JSC	SPO
3	Asia Alliance Bank JSCB	Asia Alliance Bank JSCB	IPO
4	Jizzakh Plastics JSC	Jizzakh Plastics JSC	IPO
5	Uzbek Commodity Exchange JSC	Uzmetkombinat JSC & Almalyk MMC JSC	SPO

Despite the plans, only Jizzakh Plastics JSC successfully conducted its IPO. The other four companies did not carry out public offerings. Nevertheless, this period saw improvements in securities market reform, legal framework enhancement, investor rights protection, and collaboration with international financial institutions.

To further deepen capital market development, enhance competition, and stimulate market liquidity, Presidential Decree No. PF-6207 was adopted on April 13, 2021.

This decree approved a list of companies scheduled for IPO or SPO between 2021 and 2023 (Table 3).

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Number	2021–2023 List of Companies Scheduled for Public Listing on the Stock Exchange
1	Uzbekistan Metallurgical Plant JSC
2	Uzbekneftegaz JSC
3	Uzmilliy Bank JSC
4	People's Bank (AT “Xalq Banki”)
5	Agrobank JSCB
6	Microcreditbank JSCB
7	Kishlok Qurilish Bank JSCB
8	Uzagrosugurta JSC
9	Qurilishmashleasing JSC
10	Uzbekinvest JSC
11	Uzbekistan Airways JSC
12	Uztransgaz JSC
13	Almalyk Mining and Metallurgical Complex (Almalyk MMC) JSC
14	Navoi Mining and Metallurgical Complex (Navoi MMC) JSC
15	Uzavtosanoat JSC

The same decree stipulated the sale of state shares through IPO or SPO in 15 companies and outlined procedural requirements for underwriters and investor eligibility. Quartz JSC conducted the first IPO in Uzbekistan. Due to its pioneering nature, the process had unique features. Applications for share purchase were accepted over four months, yet only 14% of the shares were subscribed during the first 3.5 months. However, over 40% of subscriptions were received in the final two weeks. The auction was held on April 4, 2018. A total of 4,574,934 shares were offered. Each person could buy a maximum of 0.05% of the shares (2,287 shares). Subscription prices ranged from 3,000 to 9,100 UZS per share, and full prepayment was required. Quartz JSC published an investment memorandum on its official website in December 2017. It outlined the company’s achievements, major projects, and governance practices. However, the memorandum lacked sufficient disclosure of risk factors and omitted the company's dividend policy. The roadshow was organized informally across regions, including televised presentations in Fergana, where company officials answered investor questions. Other regions did not broadcast the presentations, limiting their effectiveness.

Table 4. Summary of IPO and SPO Results

Company Name & Type	Underwriter	Shares Offered (% of Charter Capital)	Price Range	Subscribed Shares	% Fulfilled	Capital Raised (mln UZS)
Quartz (IPO)	NBU	4,574,934 (10%)	3,000–9,100	2,475,039 (54.1%)	54.1%	7,523.81
Kokand Mech. (SPO)	Freedom Finance	2,236,452 (10%)	1,000–4,000	2,821,065 (126%)	100%	2,344.09
Quartz (SPO)	Freedom Finance	4,822,460 (5%)	3,270.4–4,000	4,890,179 (101.4%)	100%	15,823.87
Jizzakh Plastics (IPO)	Portfolio Invest	1,140,246 (25%)	3,400–3,500	397,569 (34.8%)	34.8%	1,352.62

As Table 4 shows, not all IPOs were fully successful. Quartz’s IPO, handled by NBU, was affected by

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the bank's inexperience and status as a non-joint-stock institution at the time. In contrast, SPOs managed by Freedom Finance, with international market experience, yielded better results.

Conclusion and Recommendations

1. In recent years, substantial reforms have improved the efficiency of joint-stock companies in Uzbekistan, leading to increased participation in the stock market.
2. Issuing securities enables companies to attract significant capital in a short time, boosting investment attractiveness and fostering technological advancement.
3. Share issuance remains a primary method for forming internal capital in joint-stock companies.
4. In Uzbekistan, securities circulation is governed by the new editions of the "Law on Joint-Stock Companies and Protection of Shareholders' Rights" and the "Law on the Securities Market."
5. International experience confirms that well-organized IPOs and SPOs not only enhance company opportunities but also contribute significantly to the development of financial markets.
6. Through public offerings, joint-stock companies can attract substantial capital, increase share value, enhance investment appeal, and improve international standing.

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