



ATTRACTING FREE FUNDS TO THE STOCK MARKET THROUGH PUBLIC OFFERING PROCESSES

AKRAMJON KARIMOV

Abstract

This article focuses on improving the ways of attracting free funds in the development of the securities market and thereby increasing the income of the population, the potential of domestic and foreign investors to invest in the process of primary and secondary public offering of shares in the securities market. However, in research it is showed turnover of money and securities in the world economy which influenced to increasing global investment of capital. In addition to improving securities markets, there are information about analyzing foreign and national securities market, compare models of attracting free money of the population for stock market and process efficiency relating of IPO.

Keywords:

joint-stock companies, international finance market, securities market, available funds, stock market, financial asset, shareholder, market capitalization, market quotes

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INTRODUCTION

The modern market economy always needs to new financial resources to realizing investment project. Developing economic sectors by spheres with securities market is more alternative version today. Financial resources are cheaper and liquid in securities market, so that it is preferred to attracting money from it for new project than others ways.

Today, the world economy cannot be imagined without large stock markets. The structure of the securities market is distinguished by its importance, place and functions in the economy. If we look at the world practice, the growth or decline of economic development depends on the tendency of valuation of assets in this market. After all, major transactions and situations in any business are reflected in the stock markets. We can also see in the experience of developed countries that investing in companies in the stock market is a good way to invest in the country's economy. “Many developing countries now recognize the advantages inherent in foreign investment, in both its direct and portfolio forms, and its vital role in their future development, particularly in view of the decline in other external sources of funds. This has necessitated a fundamental change of attitude from the previous two decades, which were characterized by increasingly restrictive investment environments reflecting nationalistic sentiments, the availability of alternative bank lending and negative perceptions about earlier experiences with foreign investment”[1]. Various business entities are involved in satisfying all-round interests by investing in securities by directing the funds of growing domestic and foreign investors to the stock markets. In this case, the professional



participants of each stock market own income in the form of interest, share or exchange rate difference.

As noted in the economical literature, security market is a component of the wider financial market where securities can be bought and sold between subjects of the economy, on the basis of demand and supply. Security markets encompasses stock markets, bond markets and derivatives markets where prices can be determined and participants both professional and nonprofessional can meet.

Experience of economy developed countries shows that the securities market plays an important role in attracting free funds of the population to investment activities and increasing their income, and in the process of globalization this issue is becoming more urgent. One of the main sources of income in the world is the stock market assets. "The capitalization of the global stock market in 2010 amounted to \$50.9 trillion. According to the U.S. Federal Reserve, "52 percent of Americans are shareholders, 10 percent of whom own securities worth an average of \$ 969,000, 40 percent 132,000, and the rest less than \$ 54,000"[2]. In developed countries, we can see assets purchased from the stock markets as the main income of business entities and individuals - company shares, bonds, cryptocurrencies, options and other types of financial assets. Research has also shown that in developed countries, investment resources are directed to the sphere of exchange - the financial market - which has different views, in particular, the stock market. Therefore, the stock market is one of the main components of the financial market. In addition to the above definitions, according to another view of our economists: securities are products created by issuers and bought by investors, as a rule, through investment intermediaries - institutions that perform the functions of relations between investors and issuers[3].

The stock market is one of the integral structural syllables of the securities market. According to I.A.Guhaseva: the security is a set of rights, which is attached to its owner in a document or documentation. Two types of rights to securities are attached to: the rights and ownership of the security. According to the scientist, the security holder will also have not only the rightful rights, but also the rights in common[4]. For example, the company is a stock factor - the participation of the campaign to participate in the management of the organization, to participate in the management of the shareholders, to participate in the general meeting of shareholders, agree to major transactions.

THE RELEVANCE OF THE RESEARCH SUBJECT. In some countries there are have problems such as the number of listed on the stock market of joint-stock companies and the share of their shares in circulation is small, the share of the state in joint-stock companies is high, the deficit of financial instruments in the stock market, the low level of attractiveness and liquidity of assets, delays of dividend payments to shareholders and other problems prevent the development of the industry. For this reason, a comprehensive and in-depth study of the factors and problems of development of the securities market, the wide involvement of free funds of foreign and local investors, the use of advanced foreign experience in this area, analysis of the real situation and making proposals for troubleshooting problems are important.

THE PROBLEM OF THE RESEARCH. There are large-scale research on attracting and more efficient use of free cash of investors in the development of the global



securities market. They cover mainly the role of the securities market in the economy, the types and essence of financial instruments, the importance of attracting free financial resources of investors to the securities market, as well as the issues of control in the stock market. However, these studies insufficiently identified actual problems associated with the development of the securities market by attracting free funds for joint-stock companies. The direction of financial resources into assets with high yield in the stock market and ensuring that their profitability has so far, they have not found their positive decision. This, in turn, determines the relevance of the study on the involvement of free cash of investors to the securities market.

THE PURPOSE OF THE RESEARCH. The purpose of this study is to develop scientific conclusions and recommendations on issues related to analysis of the financial activity and status joint-stock companies in the international finance market.

THE SCIENTIFIC ESSENCE OF THE RESEARCH.

The fundamentals of the development of the securities market by attracting free money from the population, the stages of development of stock markets, the evolution and mechanisms of attracting free money to them, their scientific, theoretical and methodological aspects have been widely covered in the research works of foreign scientists-economists, such as M.Ronald[5], S.Patrick[6], A.R.William[6]. Among the scientists-economists from the CIS countries working in this area, A.A.Kilyachkov and L.A.Chaldaeva[7] in their research they described the securities market and the activities of the exchange, and V.A.Galanov and A.I.Basov[8] described the general structure of the securities market.

Among the domestic scientists-economists Sh.Sh.Shokhazamy[8] carried out research work on existing trends and general problems in the field of financial markets and securities markets, S.E.Elmirzaev[9] studied the influence of the value and profitability of shares on the securities market, in particular, on flow of potential investors. However, from domestic economic scientists F.T.Mukhamedov[12] researched on improving the system of trade in securities in Uzbekistan and the problems of, as well as scientists in this area, J.I.Karimqulov[13], U.R.Khalikov[14], X.X.Hudoyokulov[15], A.I.Karimov[16] conducted their own studies and developed suggestions and recommendations on the development of the securities market.

RESEARCH METHODS.Scientifically, there are several research methods in the article while analyzing development of the securities market and its issues. It can be seen that induction, deduction, comparative analysis, trend analysis, abstract and other methods are used in the research.

CONCLUSIONS AND SUGGESTIONS

As factors influencing the further development of the stock market and attracting broadly local investors, we can first of all point to the real growth of incomes in the country and the effect of investment in financial markets. Examples of the main forms of earning income from securities, which are financial assets in the stock market, are annual and quarterly dividends, profit from price increases or decreases, interest payments and capital gains.

According to the composite structure, the stock market is characterized by its importance, place and functions in the economy. In world practice, growth or decline in economic development depends on the trend of assessing assets in this market. Without exaggeration, it can be said that the securities market, that is, the stock market, performs the function of the mutual distribution of financial resources in the interests of both parties[17].

The distribution of income among investors in the stock market depends on the attractiveness of the market. The main focus of investors participating in the stock market is the securities of companies operating in countries such as the United States, Japan, the United Kingdom and China. In developed countries, profitable companies play an important role in increasing the attractiveness of the stock market and attracting investors' free funds. In particular, when we analyze the stock markets of developed countries, we can observe the participation of large national and transnational corporations.

The development of the securities market in the national economy and its integration with the global stock market will be an important factor in meeting the demand for financial resources for local businesses and the development of their businesses. In particular, if we look at the experience of China, Japan and Singapore, the privatization of the country and the sale of state-owned enterprises to foreign investors through the stock market has created a new flow of financial resources and played an important role in national economic development.

The circulation of financial assets in the form of securities began in 1815 and continued to grow steadily until 1980. The emergence of large stock exchanges and the intensity of the economy drove the demand for securities (Fig.1).

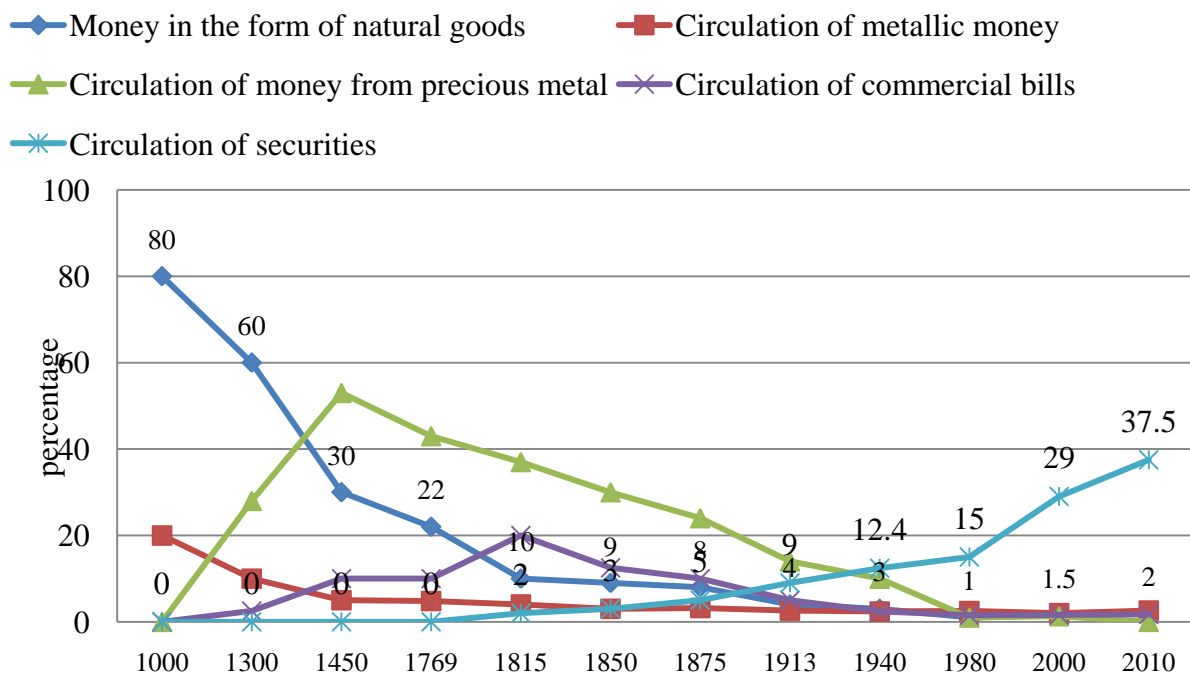


Figure 1. Turnover of money and securities in the world economy, in percentage [18]



The figure 1 shows that coins in the form of precious metals, metals, natural goods were widely used in antiquity and satisfied the needs of that period. The acceleration of the economy and the emergence of new financial structures led to the formation of modern means of communication with market. Based on historical sources, we can say that commercial notes appeared in the 1300s and their use gradually declined. Also, from the figure 1 we can see increasing percentages of securities market in 2010 about 37.5 %. The main cause of that increasing and globalization financial market in the world.

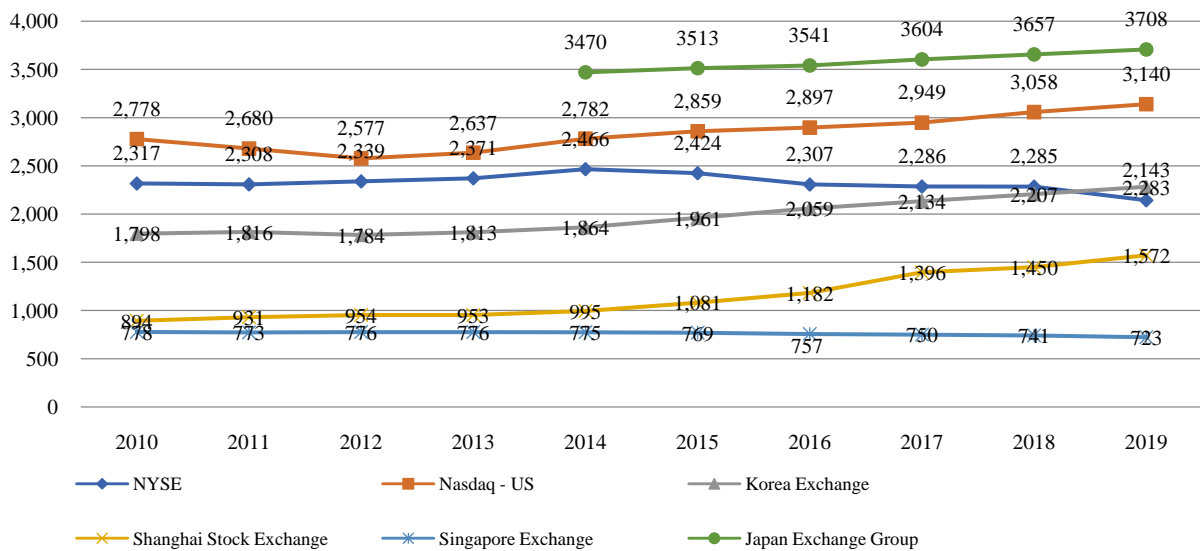


Figure 2. Number of companies listed on the common stock market of local stock exchanges[19].

Local exchanges, such as NYSE, NASDAQ, Japan, which include shares of large technological transnational corporations, attract a wide range of domestic and foreign investors due to their attractiveness. In particular, the Japanese Stock Exchange was formed through the merger of the two largest stock markets - Osaka and Tokyo on January 1, 2013, and now the number of companies listed on it is 3708. The number of companies listed on the New York Stock Exchange (NYSE), established in the United States on March 8, 1817, peaked at 2,466 in 2014 and 1963 at the lowest in 2008. Another NASDAQ stock exchange in the country began operations in 1971 and in 2019 traded in shares of 3,140 companies.

The Korean Stock Exchange was established in 1953 and on January 19, 2005 added the Korean Futures Exchange and KOSDAQ. Currently, 2,283 high-tech companies are trading in shares, bonds and futures.

The Shanghai Stock Exchange, managed by the Securities Commission of the People's Republic of China, was established in 1999. The Shanghai Stock Exchange trades 1,572 companies on two types of shares: A (national currency - yuan) and B (foreign currency - US dollars).

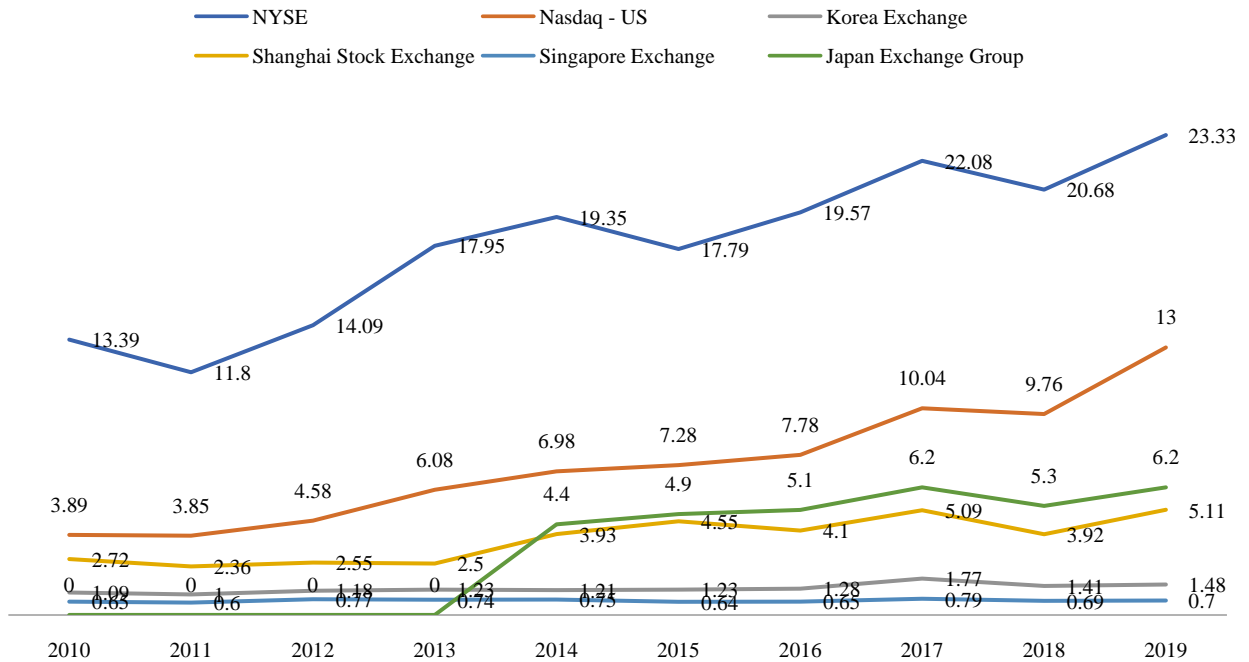


Figure 3. Annual capitalization of companies listed on the common stock market of local stock exchanges[19]

The average capitalization of companies listed on the New York Stock Exchange (NYSE) in 2019 is \$ 23.33 trillion. USD, a positive change of 113% compared to the previous period. At the Nasdaq Stock Exchange, the figure was 9.76 trillion. 13 trillion US dollars. To the U.S. dollar (133 percent). Accordingly, we can observe similar positive trends in the remaining stock market in 2019 as well. The capitalization of existing companies in the country, that is, an increase in market prices, leads to an increase in the income of their shareholders - the population.

Public Offering of company shares is divided into several types in the practice of stock markets of foreign countries (Figure 3).

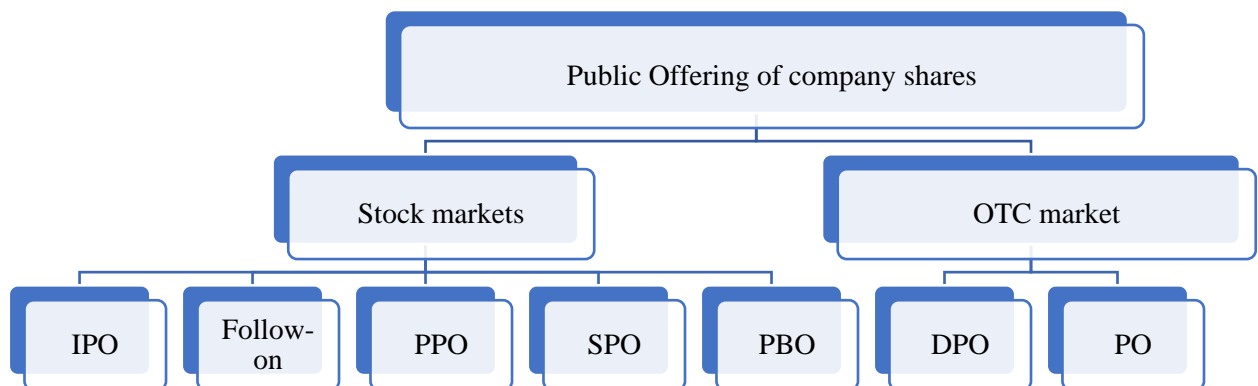


Figure 3.Public offering of company shares[20]



DPO(Direct Public Offering) is the process of offering company shares directly to an investor while bypassing the stock market. IPO (Initial Public Offering) Follow-on, public offering of company securities (shares, bonds, depository bills) - RRO (Primaries Public Offering), the process of public offering of shares of a major shareholder - SPO (Secondary Public Offering), closed placement of shares for certain categories of investors - PO (Private placement or Private Offering), the process of mass placement of shares at the same time as the shareholders agree, is called PBO (Piggyback Offering).

Bookbuilding is becoming the most popular IPO method around the world because it is considered as the most efficient mechanism for IPOs (Ljungqvist, Jenkinson, & Wilhelm, 2003). In the U.S., there are few rules and little guidance imposed on underwriters conducting the bookbuilding process. Outside the U.S., there are a wide range of regulatory constraints on bookbuilding. The regulatory constraints imposed on bookbuilding process concerning the pricing or allocation of shares might affect the extent of underpricing. The differences of regulation framework between the U.S. and other countries potentially have a bearing on the price discovery efficiency of IPOs. Chan, Fung, and Tay (2011) argue that the Asian capital markets offer unique market and institutional characteristics and practices that are significantly different related to main stream U.S. market. An important and interesting issue to figure out how market and institutional characteristics affect valuation arises. Therefore, it is worthy to compare the IPO price discovery efficiency under alternative regulatory constraints [21].

Table 1

CAPITAL RAISED THROUGH IPO OF JOINT-STOCK COMPANIES IN “NYSE” STOCK EXCHANGE IN 2020[19]

CompanyName	Domestic/ Foreign	Sector of Activity	Country of Incorporation	Market Capitalization on 1st trading day (million USD)	Capital raised through IPO (Newly issued shares) (million USD)
Casper Sleep, Inc.	Domestic	Consumer	United States	422,28	100,2
NexPoint Real Estate Finance, Inc.	Domestic	Real Estate	United States	94	95
GFL Environmental Inc.	Foreign	Industrials	Canada	5480,21	1425
ADC Therapeutics SA	Foreign	Healthcare	Switzerland	1982,76	232,67
SelectQuote, Inc.	Domestic	Financials	United States	4369,07	570
Shift4 Payments, Inc	Domestic	Tech	United States	2451,81	345
The AZEK Company	Domestic	Consumer	United States	3854,14	764,75
Albertsons Companies,	Domestic	Consumer	United States	4329,57	800



Inc.					
Dun & Bradstreet Holdings, Inc	Domestic	Tech	United States	10153,93	1722,65
Lemonade, Inc.	Domestic	Tech	United States	3810,35	319
Montrose Environmental Group, Inc.	Domestic	Energy	United States	460,07	150
1847 Goedecker Inc.	Domestic	Consumer	United States	51,17	10
Oak Street Health, Inc	Domestic	Healthcare	United States	9541,43	328,13
Rocket Companies, Inc.	Domestic	Financials	United States	43742,77	1800
KE Holdings Inc.	Foreign	Tech	China	42212,83	2120
NetSTREIT Corp.	Domestic	Real Estate	United States	431,28	225
XPeng Inc.	Foreign	Consumer	China	14754,73	1496
Snowflake Inc.	Domestic	Tech	United States	68176,68	3360
American Well Corp	Domestic	Healthcare	United States	5055,99	742
Broadstone Net Lease, Inc.	Domestic	Real Estate	United States	2550,09	569,5
Unity Software Inc	Domestic	Tech	United States	18001,12	1300
Laird Superfood, Inc.	Domestic	Consumer	United States	341,74	58,3
VIA optronics AG	Foreign	Tech	Germany	150	93,75
Boqii Holding Ltd	Foreign	Services	China	569,18	70
Yalla Group Ltd	Foreign	Technology	UAE	945,32	139,5
iHuman Inc	Foreign	Consumer	China	1196,6	84
MINISO Group Holding Ltd	Foreign	Consumer	China	7151,85	608
Datto Holding Corp.	Domestic	Tech	United States	3673,37	594
Guild Holdings Co	Domestic	Financials	United States	900	97,5
Total	-	-	-	256854,34	20219,95

By the given table 1 we can see several joint stock companies which attracted free funds from stock market by IPO. Total Capital raised through IPO consist 20 219.95 million USD in “NYSE” stock exchange in period 2020. Also, the information shows that Snowflake Inc. company Market Capitalization on 1st trading day is 68176,68 million USD and free funds are had been 3360 million USD by IPO in NYSE. The next company is Dun & Bradstreet Holdings, Inc which owned results 1722,65 million USD financial resources under IPO. However, there is MINISO Group Holding Ltd company of Chine which take part IPO in NYSE and attracted 608 million USD free funds.



Table 2

CAPITAL RAISED THROUGH IPO OF JOINT-STOCK COMPANIES IN “JAPAN EXCHANGE GROUP” STOCK EXCHANGE IN 2020[19]

Company Name	Domestic/ Foreign	Sector of Activity	Country of Incorporation	Market Capitalisation on 1st trading day (million USD)	Capital raised through IPO (Total) (million USD)
Jimoty, Inc.	Domestic	Services	Japan	105,59	13,59
Koyou Rentia Co., Ltd.	Domestic	Services	Japan	112,86	20,21
Commerce One Holdings Inc.	Domestic	Information & Communication	Japan	220,61	9,1
Nihon Jyoho Create Co., Ltd.	Domestic	Information & Communication	Japan	145,8	21,04
Sun* Inc.	Domestic	Information & Communication	Japan	515,99	31,93
YUKIGUNI MAITAKE CO., LTD.	Domestic	Fishery, Agriculture & Forestry	Japan	789,71	423,95
rakumo Inc.	Domestic	Information & Communication	Japan	185,69	18,07
Direct Marketing MiX Inc.	Domestic	Services	Japan	485,1	232,78
Earth Infinity co.ltd.	Domestic	Retail Trade	Japan	287,64	6,62
Total	-	-	-	2848,99	777,29

By the given table 2 we can see several joint stock companies which attracted free funds from stock market by IPO in “JAPAN EXCHANGE GROUP” stock exchange. Total Capital raised through IPO consist 777,29 million USD in “JAPAN EXCHANGE GROUP” stock exchange in period 2020. Also, the information shows that YUKIGUNI MAITAKE CO.,LTD company Market Capitalization on 1st trading day is 789,71 million USD and free funds are had been 423,95 million USD by IPO in “JAPAN EXCHANGE GROUP” stock exchange.



Table 3

CAPITAL RAISED THROUGH IPO OF JOINT-STOCK COMPANIES IN “KOREA EXCHANGE” STOCK EXCHANGEIN 2020[19]

Company Name	Domestic/ Foreign	Country of Incorporation	Market Capitalisation on 1st trading day (million USD)	Capital raised through IPO (Total) (million USD)
Kencoa Aerospace Corporation	Domestic	South Korea	75,65	10,78
Macromil Embrain Co., Ltd.	Domestic	South Korea	120,55	7,97
SK biopharmaceuticals Co., Ltd.	Domestic	South Korea	8329,17	803,4
SALTLUX Inc	Domestic	South Korea	144,53	15,7
Wireless Power Amplifier Module Inc.	Domestic	South Korea	584,76	68,43
ILOODA Co., Ltd	Domestic	South Korea	104,43	11,31
Brand X Co., Ltd.	Domestic	South Korea	186,78	41,34
Aptamer Sciences Inc	Domestic	South Korea	201,7	27,9
PIMS Inc	Domestic	South Korea	114,14	32,63
Total	-	-	9861,71	1019,46

By the given table 3 we can see several joint stock companies which attracted free funds from stock market by IPO in “KOREA EXCHANGE” stock exchange. Total Capital raised through IPO consist 1 019,46 million USD in “JAPAN EXCHANGE GROUP” stock exchange in period 2020.

CONCLUSIONS AND SUGGESTIONS

At present, the state has set a number of tasks for the above-mentioned structures responsible for the securities market, including the development of the stock market, attracting local (free funds of businesses and the population) and foreign investors and increasing the capitalization of companies. The effective functioning of these structures is of great importance in the development of the national economy. After all, any investor can easily invest in a reliable and efficient project and markets.

Based on the above scientific research and analysis, the following recommendations were made:

- - Wide attraction of free funds to the stock market, thereby achieving mutual efficiency, further increasing the financial literacy of the population;
- expanding the flow of domestic financial investments in the stock market;
- simplification of the system of normative and legal acts of the securities market and development of a general code;
- Systematic control over the calculation and payment of dividends by joint-stock companies;
- simplification of the licensing procedure for professional participants of the securities market to conduct operations in the securities market.



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