

# HOW DID THE COVID-19 CORONAVIRUS PANDEMUM AFFECT THE FINANCIAL MARKET OF UZBEKISTAN?

Aktam U. Burkhanov  
Bobir O. Tursunov

**Abstract**— The article examines the scientific and theoretical aspects of the impact of the COVID-19 coronavirus pandemic on the financial market. Also, changes in world and Uzbek stock indices during the pandemic were analyzed. The factors that negatively affect the market value of shares of joint-stock companies in the stock market of Uzbekistan are identified, proposals and conclusions are drawn up on their reduction.

**Index Terms**— COVID-19 coronavirus infection, financial market, stocks, pandemic, financial risk, joint stock company, net income, dividends.

## 1 INTRODUCTION

**I**N The rapid spread of COVID-19 coronavirus infection worldwide from December 2019 onwards is also having a negative impact on global financial markets. This has created a high level of risk to the economies of countries around the world. Under these circumstances, uncertainties in global financial markets have led to the loss of a large portion of investors' funds. On March 11, 2020, the World Health Organization (WHO) declared the spread of COVID-19 coronavirus infection a pandemic, as it has reached hundreds of countries since March this year.

We know that the stock market is a barometer of the economy, and the capital market to some extent reflects the general state of the country's economy. Increasing uncertainty in financial markets leads to sharp price fluctuations.

Under the influence of the pandemic, world financial markets have moved at an unprecedented rate. The results show that the risks in the global financial market against the pandemic have increased significantly. As a result, the uncertainty of the disease and the associated economic losses have made markets highly volatile and unpredictable.

Non-traditional political measures involving the virus in countries create more uncertainty and can lead to long-term problems. After all, the trend of disintegration in the global community poses a greater threat than the virus.

A number of measures are being developed to mitigate the effects of the coronavirus pandemic in the financial markets of Uzbekistan and ensure its sustainability.

In particular, on July 6, 2020, the Decree of the President of the Republic of Uzbekistan No. PF-6019 "On additional measures to further develop the competitive environment and reduce state participation in the economy."

According to the decree, from October 1, 2020, the establishment of state-owned enterprises, as well as their affiliates and state institutions authorized to carry out economic activities (except for defense and national security purposes) is not allowed in the following cases:

- in areas where there are five or more private entrepreneurs in one commodity market;
- in the areas authorized by state bodies for licensing, registration, accreditation and permitting.

The strategy for the development of competition in commodity and financial markets for 2020-2024 was also approved.

Thus, the development and implementation of scientific proposals aimed at mitigating the impact of the ongoing COVID-19 coronavirus pandemic on the economy, including the financial markets of countries around the world, is relevant today.

## 2 LITERATURE REVIEW

Although it has not been long since the onset of the COVID-19 coronavirus pandemic, economists, along with other scientists, have conducted research on the impact of the pandemic on the economy, particularly the financial market.

Chinese economists Dayong Zhanga, Min Hua and Qiang Jilar studied the scenario of the impact of the pandemic on the financial market in 5 sections [2]. In particular, it first explains the scenario and examines the nature of systemic risk laws in the financial market on the basis of available data and tries to answer the following questions: How can risk in the stock markets respond to a pandemic? Are systemic risks increasing worldwide? What are the potential effects of policy intervention?

Section 2 provides an overview of the basic information about the pandemic. Section 3 consists of statistical data analysis. Section 4 discusses the impact of the policy. Section 5 consists of conclusions.

In his study [3], Badar Nadeem Ashraf examined the reac-

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Aktam U. Burkhanov

DSc, professor, dean at Tashkent state university of economics, Tashkent city,  
Republic of Uzbekistan

E-mail: [a.burkhanov@tsue.uz](mailto:a.burkhanov@tsue.uz)

Bobir O. Tursunov

Ph.D, chief at "Economic security" department, Tashkent state university of  
economics, Tashkent city, Republic of Uzbekistan

tion of stock markets to the COVID-19 pandemic. According to the author, the growth of confirmed COVID-19 cases had a negative impact on stock markets, using data on daily COVID-19 approved cases and deaths, and data on stock market earnings from 64 countries from 22 January 2020 to 17 April 2020. That is, as the number of approved cases increases, the profitability of the stock market decreases. The author also points out that stock markets have a greater impact on the increase in confirmed cases than deaths.

Other Chinese researchers HaiYue Liu, Yile Wang, Dongmei He and Cangyu Wang [4] studied the negative impact of the COVID-19 pandemic on the Chinese economy, particularly the stock market, and the impact of the negative state of the Asian stock market on the Chinese stock market. The Shanghai Composite Index (SSEC), Shenzhen Composite Index (SZCS), CSI 300 Index (CSI300), iShares MSCI, Japan ETF Index (AAXJ) and Japan's Nikkei 225 Index (N225) were selected as the Asian stock market indices. The study found that the Asian stock market saw a sharp rise in the market price of shares of the pharmaceutical industry and IT companies.

The team of authors Alok Kumar Mishra, Badri Narayan Rath and Aruna Kumar Dash [5] examined the impact of COVID-19 on the Indian financial market and compared it to the results of the last two structural changes in the country's economy: demonetization and the introduction of goods and services tax (GST). Daily stock yields from January 3, 2003 to April 20, 2020 will be negative for all indices during the COVID-19 spread, in contrast to the post-demonetization and post-GST phases based on net foreign institutional investors and exchange rates. According to the study, the COVID-19 pandemic will have a significant impact on stock yields relative to demonetization and GST performance in India.

Foreign researchers Kerstin Lopatta, Kenji Alexander, Laura Gastone and Thomas Tammen [6] used data from nearly 300 international companies included in the leading stock market indices in ten countries to assess the impact of corporate reporting practices on stock values and capital market risks during the COVID-19 coronavirus pandemic. studied the evaluation. The authors draw two main conclusions from the research findings. First, it was found that beta-value declines in the annual reports of firms reporting the coronavirus crisis using the capital market model. Second, comparing the earnings before and after the publication of the annual report, it was found that the earnings of firms that report coronavirus pandemics in their annual reports have improved significantly. The authors' research shows that investors value the transparency of information about companies and their ability to promptly make global changes in the reporting process.

Authors Arshian Sharif, Chaker Aloui, and Larisa Yarovaya [7] found in their study that the decline in oil prices had the strongest impact on the U.S. stock market compared to COVID-19, EPU, and GPR. According to the study, the COVID-19 pandemic will also affect oil prices, which in turn can be explained by travel restrictions.

In their research, Heather Yan, Andy Tu, Logan Stuart, and Qingquan Zhang [8] analyzed the impact of the COVID-19 coronavirus pandemic on the stock market and proposed ways in which people could make money in a market affected

by the global outbreak of the virus. To take advantage of such a market, the authors propose to reduce the areas in which the virus is rapidly affected in the short term and can then be repurchased once the price has dropped significantly. In particular, they see tourism, technology, entertainment industries, and gold mining as areas that benefit greatly.

Spanish researchers have studied market variability (volatility) and stock market comparisons during the COVID-19 pandemic and formed a number of conclusions. In particular, you should not buy or sell based on news or daily market movements. Fear, speculation and uncertainty increase market volatility [9].

The above foreign economists have mainly studied the negative impact of the coronavirus pandemic on stock market indices. However, it is advisable to study the market prices of shares of large companies in the stock markets, systematize the characteristics of their activities and develop proposals and recommendations to identify the causes.

Uzbek expert Sh. Egamberdiev [10] enumerated the existence of a number of problems in the capital market, including the financial market. notes that a number of measures are leading to an extension of the deadline.

After studying the impact of the coronavirus on the world economy, Uzbek economists Professors N. Jumaev and D. Rakhmonov [11] came to a number of conclusions, including a slowdown in economic growth in the medium term, which may make it difficult to attract foreign direct investment. To prevent this, it will be necessary to ensure domestic consumption to maintain the stability of the national stock market.

Although foreign researchers have conducted a number of studies on the impact of the pandemic on financial markets in the short term, Uzbekistan has not yet conducted in-depth research on the impact of the COVID-19 coronavirus pandemic on the financial market and its sustainability.

### 3 ANALYSIS AND RESULTS

The COVID-19 coronavirus pandemic has had an impact on a number of financial markets around the world. Along with the collapse of the U.S. stock market in the context of the pandemic, stock markets in Europe and Asia were also disrupted. The highest decline in global stock market indices occurred in March. In particular, the US Dow Jones index fell by 17.3%, the S&P 500 index by 14.98% and the Nasdaq index by 12.64%.

**Table 1**  
**Changes in world stock market indices**

Day	Index change, %						
	USA			England		Japan	
	Dow Jones	S&P 500	NYSE	FTSE 100	FTSE 250	Nikkei 225	TOPIX
09.02.2020	1,02	1,58	1,19	-0,77	1,35	-0,59	-1,69
16.02.2020	-1,38	-1,25	-0,86	-0,07	-0,05	-1,27	-1,70
23.02.2020	-12,36	-11,49	-11,41	-11,12	-11,25	-9,59	-9,74
01.03.2020	1,79	0,61	-0,23	-1,79	-3,02	-1,86	-2,61
08.03.2020	-10,36	-8,79	-12,14	-16,97	-16,99	-15,99	-14,26
15.03.2020	-17,30	-14,98	-15,84	-3,27	-12,65	-5,04	1,71

22.03.2020	12,84	10,26	11,54	6,16	8,66	17,14	13,74
29.03.2020	-2,70	-2,08	-3,01	-1,72	-4,54	-8,09	-9,21
05.04.2020	12,67	12,10	12,71	7,89	16,37	9,42	7,92
12.04.2020	2,21	3,04	0,64	-0,95	-3,34	2,05	0,87
19.04.2020	-1,93	-1,32	-1,70	-0,60	-1,08	-3,19	-1,47
26.04.2020	-0,22	-0,21	0,37	0,19	2,94	1,86	0,70
03.05.2020	2,56	3,50	2,67	3,00	0,62	2,85	1,89
10.05.2020	-2,65	-2,26	-3,58	-2,29	-3,61	-0,70	-0,31
17.05.2020	3,29	3,20	3,51%	3,34	4,71	1,75	1,65
24.05.2020	3,75	3,01	4,16	1,39	3,93	7,31	5,81
31.05.2020	6,81	4,91	7,10	6,71	6,96	4,51	3,12
07.06.2020	-5,55	-4,78	-6,12	-5,85	-6,32	-2,44	-2,59
14.06.2020	1,04	1,86	0,95	3,07	3,57	0,78	0,77
21.06.2020	-3,31	-2,86	-3,14	-2,12	-3,25	0,15	-0,34
28.06.2020	3,25	4,02	3,34	-0,03	1,10	-0,91	-1,59
05.07.2020	0,96	1,76	0,70	-1,01	-0,71	-0,07	-1,10
12.07.2020	2,29	1,25	2,71	3,20	0,98	1,82	2,52
19.07.2020	-0,76	-0,28	0,48	-2,65	-0,48	0,24	-0,06
26.07.2020	-0,16	1,73	0,03	-3,69	-1,92	-4,58	-4,89
02.08.2020	3,80	2,45	2,41	2,28	4,08	2,86	3,39

Source: <https://www.ftserussell.com> and <https://www.bloomberg.com>  
<https://ru.investing.com>

The FTSE (Financial Times Stock Exchange Index), a key indicator of the UK stock market, fell to its worst level since 1987 in March 2020 at 16.99 per cent, while the stock market in Japan fell by an average of 6.4 per cent a year (Table 1). While most stock markets have begun to recover in recent days, many uncertainties remain in the financial markets as the pandemic continues.

During the pandemic, stock prices also fell sharply in line with indices in major stock markets. In the U.S., the market price of shares, which includes the level of capitalization of all companies, fell to 33.1%, and in Europe to 39.95%. In the Pacific region, the situation was better than in the US and Europe, where the decline in the market value of shares in this region was 26.89% (Figure 1).

From the above analysis, it can be seen that the COVID-19 coronavirus pandemic has caused unprecedented losses to the major stock markets of the world. The question is, how does the COVID-19 coronavirus pandemic affect the financial market of Uzbekistan?

We know that the financial market of Uzbekistan depends mainly on the state of development of joint-stock companies. As of February 21, 2020, there were 586 joint-stock companies in Uzbekistan, and on August 7, 2020, their number increased by 9 to 595. As of January 10, 2020, joint-stock companies issued 9759.8 billion shares worth 99.2 trillion soums, while as of August 7, 2020 these figures amounted to 10,040.5 billion soums worth 147.9 trillion soums. (Table 2).

During the COVID-19 coronavirus pandemic, there was no sharp decline in joint-stock prices in Uzbekistan. This is due to the integration of the Uzbek securities market into foreign capital markets. Analysis of the volatility of shares traded on the

Republican Stock Exchange "Tashkent" shows that since the beginning of the pandemic, there have been no significant changes in share prices. Transactions with most securities were concluded at the same prices as before, at a level close to the face value (Table 2).

**Table 2**  
**Information on the number of issuers and the total volume of issued securities**

Days	Number of joint stock companies	Volume of issues (billion soums)	Number of shares (million units)
10.01.2020	593	99 246,25	9 759 843,41
24.01.2020	594	111 808,10	9 851 483,79
07.02.2020	594	122 373,07	956 654,30
21.02.2020	586	120 382,35	9 951 932,07
06.03.2020	587	120 607,11	9 917 296,76
27.03.2020	588	120 811,08	9 896 531,63
13.04.2020	590	120 818,37	9 898 227,22
01.05.2020	590	137 310,95	9 957 114,46
29.05.2020	591	141 864,42	10 001 361,70
08.06.2020	592	143 888,80	10 003 422,19
26.06.2020	593	144 729,86	10 004 266,90
03.07.2020	594	145 419,49	10 034 087,96
10.07.2020	595	147 975,45	10 060 462,86
07.08.2020	595	147 987,80	10 040 458,18

Source: <http://www.deponet.uz> - Based on the data of the unitary enterprise "Central Securities Depository".

According to Table 3, as of January 6, 2020, the volume of trades on the Republican Stock Exchange "Tashkent" amounted to 639.45 soums, while the trading volume was 201.2 million soums, and as of August 7, 2020 - 7.71 The volume of trade decreased by 141.3 million soums (about 3.4 times) and amounted to 59.9 million soums, having decreased by 631.74 billion soums.

According to Table 3, in the analyzed period (January-August 2020) the highest index index on the Republican Stock Exchange "Tashkent" (643.43) 03.02.2020y. per day, the lowest position is 20.04.2020y. per day (600.9). The highest volume of sales was on 29.06.2020. per day (3.6 billion soums), and the lowest volume with a sharp difference 06.07.2020y. per day (12.5 million soums).

The reason for the sharp change in the index of the Republican Stock Exchange "Tashkent" during the pandemic was the decline in stock prices and sales at RSE "Tashkent" due to the fact that the products of large joint-stock companies were not sold in the markets. Therefore, we analyze the stock prices and trade turnover of some large joint-stock companies operating in the country before and after the pademia.

In particular, in March, before the COVID-19 coronavirus

pandemic, the shares of JSC "Kyzylkumtsement", which makes large trades on the Republican Stock Exchange "Tashkent", had a market value of 1510 soums, the trade turnover amounted to 343.3 million soums. During the COVID-19 coronavirus pandemic, the trading volume of JSC "Kyzylkumtsement" decreased by 99.7% to 71.1 million soums with a market price of 1479 soums [13].

**Table 3**  
**Changes in the index and exchange turnover of RSE "Tashkent" in January-August 2020 (Monday)**

Data	Index	Change	Number of securities	Sales volume
06.01.2020	639,45	-3,70	64672,00	201229179,81
13.01.2020	632,62	-6,83	171658,00	116101857,37
20.01.2020	621,38	-11,24	1052386,00	259790893,22
27.01.2020	633,24	11,86	898217,00	510576772,48
03.02.2020	643,43	0,60	303512,00	31035284,37
10.02.2020	618,69	-24,74	95739,00	136422424,83
17.02.2020	611,44	-7,25	67337,00	41953813,40
24.02.2020	608,41	-3,03	1571770,00	150649266,75
02.03.2020	612,52	4,11	8096669,00	239580186,35
09.03.2020	609,89	-2,63	81934435,00	185192713,79
16.03.2020	613,10	3,21	1073743,00	69428759,01
24.03.2020	609,02	-4,08	54261,00	96537884,57
30.03.2020	614,43	5,41	57385,00	125173945,49
06.04.2020	616,75	2,32	12830,00	24976613,45
13.04.2020	613,00	-3,75	7888,00	20784941,01
20.04.2020	600,90	-12,10	6935,00	17139827,31
27.04.2020	615,78	14,88	1004819,00	40351495,34
04.05.2020	619,27	1,77	555158	844855550,7
11.05.2020	619,07	0,75	239186	104977259,5
14.05.2020	616,88	-10,44	5027055	2834038228
18.05.2020	620,33	3,02	197959	59939227,27
25.05.2020	621,72	0,53	19002	66393017,01
01.06.2020	628,19	0,31	2025718	54779621,47
08.06.2020	628,46	1,94	91785	65869227,79
15.06.2020	622,88	-0,55	2674476	109331828,1
22.06.2020	629,22	-1,86	362174	61816870,49
29.06.2020	631,89	-2,04	2721596	3636344473
06.07.2020	631,82	1,24	60094	12515268,67
13.07.2020	632,73	3,09	10426773	42610910,07
14.07.2020	625,45	-7,28	577920	178411714,5
20.07.2020	635,53	2,07	32767	60804529,35
27.07.2020	636,69	-1,41	2715064	434787580,3
03.08.2020	638,21	5,99	242064	20826636,51
06.08.2020	633,52	-3,93	28185	34284005,53
07.08.2020	631,74	-1,78	20388	59972009,19

13.08.2020	639.68	1,60	37 203	14 915 746.13
14.08.2020	641.15	1,47	129 268	60 105 992.04
17.08.2020	635.94	-5,21	547 807	123 084

Source: <https://www.uzse.uz> - Based on data from RSE "Tashkent".

The market value of shares of Hamkorbank JSC before the pandemic was 37.5 soums in March, the trading volume was 123.9 million soums. The volume of trade decreased by 99.8% and amounted to 26 million soums.

The market value of shares of JSC "Uzbekistan Metallurgical Combine" in March before the pandemic amounted to 32,000 soums, after the introduction of quarantine restrictions, the market value of shares of the joint-stock company decreased by 15.6% to 27,000 soums.

In conclusion, before the pandemic in Uzbekistan, the volume of trades on the Republican Stock Exchange "Tashkent" was high, and during the pandemic, the shares of joint stock companies active in the stock market had a significant impact on the stock market index.

Also, the introduction of quarantine has led to a slowdown in the activities of the company. More precisely, as a result of non-sale of products produced by the joint-stock company and storage of products in the warehouse, the financial activity of these companies was negatively affected. This, in turn, led to a decrease in investor interest in the shares of the Uzbek joint-stock company on the stock exchange, which led to a decline in the market value of shares.

#### 4 CONCLUSIONS

As a result of the analysis, the conclusions on the negative impact of the COVID-19 coronavirus pandemic on the market value of shares of joint stock companies in the financial market of Uzbekistan, in particular the stock market, and suggestions for mitigating them are as follows:

First, the sharp decline in the market value of stocks during the COVID-19 coronavirus pandemic in Uzbekistan led to a change in the stock market index. During this period, the activities of a number of large joint-stock companies in Uzbekistan were suspended and their products were not sold on the market, as a result of which the financial performance of these joint-stock companies decreased. This, in turn, led to a decline in the market value of the shares of joint stock companies.

In order to overcome this problem, it would be appropriate for the state to provide temporary subsidies to joint-stock companies in Uzbekistan, whose products are left in warehouses and whose financial condition is unstable, in order to revitalize and improve the financial performance of joint-stock companies in Uzbekistan.

Second, due to the sharp decline in the market value and trading volume of shares of large joint stock companies in the stock market, the annual audit of joint stock companies until November 1 and the extension of stock meetings and dividends until November 1 led to a decline in market value of almost all stock companies.

To overcome this problem, the allocation of at least half

(50%) of the net profit of joint-stock companies to the payment of dividends will allow the value of the shares of these joint-stock companies to reach pre-pandemic value.

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