

ROLE OF SECURITIES EXCHANGE MARKET IN THE DIGITAL ECONOMY OF CHINA

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Abstract: *In this article have been investigated issues of IPO, and looked at as one of the new forms of financing of these days. Were analyzed advantages and disadvantages of IPO as a means of additional investment for leading, small and medium-sized businesses. According to author, the experience of leading Chinese enterprises in this field, should be deeply studied.*

Keywords: *IPO - initial public offering, financing, shares, bond, stock exchange, emission, public placement, company.*

Introduction

Nowadays, the experience of economically developed and developing countries shows that, in most cases, large revenues are due to the effective use of the achievements and opportunities provided by the digital economy. The fact that 2020 is the Year of Science, Enlightenment and Development of the Digital Economy in our country is a testament to the fact that it is aimed at the development of the digital economy.

The primary source of income in the securities market - IPO - Initial Public Offering - refers to the process of selling primary shares, which gives rise to the initial public offering. This means the process by which companies acquire an unlimited number of institutional, public and private investors by issuing initial shares. In general, the general purpose of such primary public placement is the process of raising additional funds for the development and modernization of their enterprises by the sale of shares of enterprises on stock exchanges. In our economic system, in contrast to foreign countries, especially China, mass placement is carried out mainly by joint-stock companies. In China, IPOs can also be used for small and medium-sized businesses.

Literature review

To successfully solve the above problems, it is necessary to choose from the existing methodological approaches to defining the category "stock market" one that would meet the realities of uncertainty, risks and specific specific conditions of the modern market. There are various methodological approaches to defining the concept of "stock market": traditional, systemic, functional, integrated, etc. With this approach, the stock market is viewed mainly as a field of activity, where buyers and sellers of stock values are brought together C. Liu, Y. An [1], Y. Sun, Z. Chen[2], A.H. Kunz, C. Messner, M. Wallmeier [3], E. Bouri, Q. Chen, D. Lien, X. Lv [4], B. Moreno [5], U. Oberndorfer [6], M. Qamruzzaman [7], Aktam, B., & Bobir, T. [9]. Influencing factors and measurement of A share option value of structured funds were researched by C. Liu, Y. An [1], Aspect of Financial Security of Industrial

Enterprises Under Influence of Global Crisis investigated by Tursunov B. [8;10;11;12;13;14].

Official statistics (UzSTAT, China State Statistics Committee) were widely used in the database of literature and literature on the research topic. From a wide range of periodical sources, modern electronic information systems, news of "Tsaizin" ("Finance"), the Republican Stock Exchange "Tashkent", the Commodity Exchange of the Republic of Uzbekistan, the Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE), Hong Kong Stock Exchange (HSI), European trading platforms (AIM, Euronext). As part of the analysis of the international experience of IPO, it was used to analyze global trends from analytical materials conducted by leading consulting firms and rating agencies (PriceWaterHouseCoopers, Deloitte & Touche, Ernst & Young, Standard & Poor's) in the stock market. Legislation of the Republic of Uzbekistan, Presidential decrees and resolutions, resolutions of the Cabinet of Ministers of the Republic of Uzbekistan and Chinese laws and resolutions, as well as resources of the global network "Internet".

Methodology

Methods used in the research include system analysis, dialectical knowledge, statistical analysis, comparative analysis and scientific generalizations, methods of acquiring practical skills and competencies, methods of financial and strategic analysis, foreign and domestic IPO monitoring systems.

Analysis and results

The results of our research show that the role and importance of additional capital or investment is very important for the sustainable growth and development of any state or organization. In particular, sufficient funds are needed to ensure the long-term development of the enterprise, and here financing acts as a stimulus. Sources of financing of enterprises are divided into internal (capital, at the expense of retained earnings) and external (capital raised through borrowing from the financial market and issuing shares). Internal sources of financing are defined as their own funds, in particular,

net profit and deductible depreciation. Self-financing has a number of advantages:

1) Increases the financial stability of the established enterprise due to the maturity of the net income of private capital;

2) The formation and use of own funds can be carried out on a sustainable basis only for one year;

3) Costs are minimized due to external financing (lending to creditors, repayment);

4) The process of making management decisions on the development of the enterprise will be simplified by attracting additional investments. In this case, the sources of investment costs will be known in advance. The level of self-financing of the enterprise depends not only on its internal capabilities, but also on the external environment (taxes, depreciation, budget, customs and monetary policy of the government, financial market conditions).

Sources of external financing include the allocation of public funds, the use of funds of financial institutions, non-financial companies and citizens. Among them, short-term or long-term foreign currency bank loans, equity and borrowed securities are more commonly used. There are also “intermediate” types of securities, such as convertible bonds, guarantees, options, and more.[19]

There are four main types of external financing:

1) Debt financing - the attraction of borrowed funds in the form of loans, bonds;

2) Open subscription to promotions;

3) Closed subscription to shares (if it is held among previous Shareholders, it is usually compared to the market rate; in this case, the company deducts lost profits as expenses);

4) The combination of the first three methods.

When we consider the different methods of external financing, it must be clearly taken into account that the investment will be exploited for each share.

If it is large, it will be more profitable to get a loan than to increase your capital. Borrowing funds makes it cheaper for an enterprise to raise its own funds. If it is small, then it will be more profitable to increase your capital by issuing Shares than to borrow. Borrowing will be more expensive for the company than raising its own funds. However, the main difficulty in the process may be the IPO.

Table-1 The world’s largest stock exchanges in 2020

Place	Exchange name	Capitalization, trillion USD
1	New York Stock Exchange	16
2	NASDAQ	10
3	Tokyo Stock Exchange	6.19
4	Shanghai Stock Exchange	5.01
5	Euronext stock exchange	4.65
6	London Stock Exchange	4.59

In the West, the placement of shares on the stock exchange has become one of the main means of financing the company's long-term development.

IPO is one of the most common and promising sources of investment in the world, but it also has its advantages and disadvantages:

- Attracting large one-time capital during an IPO allows the company to acquire the necessary assets that the company cannot afford to expand;

- The IPO will allow the company to increase its lobbying capacity by increasing the level of transparency, as well as open new opportunities for business development and strengthening its position in the market;

- Gain cheaper sources of financing by joining the ranks of shareholders of reputable financial institutions; Another unique advantage is the unlimited period of investment and the absence of subsequent obligations;

- In addition to optimizing the capital structure, IPOs allow for risk diversification and more efficient access to capital markets. The income from the placement comes to the company’s balance sheet and increases its book value;

- The issuer enhances the financial experience and reputation of the company. The company whose shares are listed on the stock exchange will be better known and the competitiveness of its business will increase;

- Corporate culture will improve and employee loyalty will increase. The issuing company is provided with free advertising in some places, and as a result has a positive impact on the corporate image of the company;

- For innovative companies and the economy, the business owner will have the opportunity to use the IPO as a means to make a profit. In addition to looking at the IPO as a tool for innovative strategic development of companies in general, it also serves as a source and stimulator of innovative activity. As a practical example of the above benefits, the New York Stock Exchange topped the list of companies with the largest capitalization in 2020 at \$ 16 trillion by 2020, and the NASDAQ at \$ 10 trillion. We can see at table-1. [1]

7	Hong Kong Stock Exchange	3.9
8	Shenzhen Stock Exchange	3.51
9	Toronto Stock Exchange	3.256
10	Bombay Stock Exchange	2.19
11	Nation Stock exchange	2.1
12	Frankfurt Stock Exchange	1.99

Source: Entered by the author from Internet resources.

At the new stage of economic reforms, special attention is paid to the further development of the stock market, increasing its importance in the economy. In particular, the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 pays special attention to attracting capital and developing the stock market as an alternative source of placement of free resources of enterprises, financial institutions and the population.

This is not in vain, of course. After all, the stock market, which is the most important component of market relations, has a positive impact on the stable financial situation and opens a wide way to increase the economic potential of the country and the welfare of the population. An initial public offering (IPO) is a natural stage in the development of almost any large company. Additional funds will be raised through the mass sale of shares and the company will be encouraged for further growth.[15]

If we compare the placement of IPOs in world markets, China would be one of the three largest countries. It can be said that China has enough opportunities to become a listing and IPO center. It should be noted that although the Uzbek platforms are not very active and advanced, we can see that the Chinese market is very close to the Uzbek market:

1) Strategic partnership policy - the basis of economic relations;

2) Regional cooperation;

3) Similar history of economic development - the transition of the economy from a centralized system to a market economy;

4) Equivalent system view of the main stock exchange. There are currently three major stock exchanges in China, namely the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. In Uzbekistan, the Tashkent Republican Stock Exchange.

Currently, due to the lack of attention to the IPO markets in developing countries, research on IPOs is rare in the professional scientific literature. None of the publications disclose the existing opportunities of IPO, which affect the activation of innovative activities in companies. Also, the specifics of IPO opportunities in large, medium and small enterprises are not studied and, of course, are not implemented. One of the most studied markets is the Chinese market. Another reason for this

is that the largest public offering issued in the last decade has also been made by three issuers in China. However, Uzbekistan has very little experience and history in conducting IPOs. Nevertheless, the development of the Republic of Uzbekistan in 2017-2021 is expected to contribute to the economic development of the Republic of Uzbekistan through the IPO, which will increase the status of growing companies and increase the value of additional reliable electronic markets, increase financial literacy of the population. The Action Strategy for the five priority areas pays special attention to attracting capital and developing the stock market as an alternative source of free resources for enterprises, financial institutions and the population. The Resolution of the Cabinet of Ministers of May 10, 2017 "On the organization of the public offering of shares on the stock exchange" serves the same purpose. [16] The first IPO in Uzbekistan took place in December 2017. It holds 2.475 million shares outstanding. Despite all the advantages of an IPO, there are also limitations and disadvantages. The analysis of world practice shows that the IPO is a very responsible and dangerous move, which should be carried out only after a detailed analysis of the situation in the stock market by the company itself. Here are the main shortcomings of the IPO:

- The number of inspections and checks will increase. Once a company becomes popular, information about its activities will be available to the government and the public. Periodic audits, quarterly and annual reports are mandatory.

- The company's activities are required to be transparent after the IPO. For example, access to financial and other information can sometimes conflict with a company's interests.

- The company will be able to influence many shareholders.

- The company's management is beginning to face the need to earn a high quarterly income. If the company fails to fulfill its obligations, it may lead to a decrease in the share price.

- It takes a lot of money and a lot of time to prepare for the IPO of a company.

- During the so-called "closed period" after the IPO, shareholders will not be able to sell their securities. Under the influence of many factors, it can be said that during this period there is a high probability that the share price will fall.

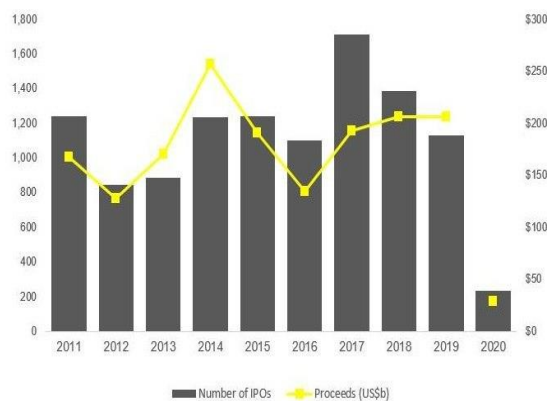


Fig.1. Dynamics of the number and volume of IPO transactions in 2011-2020

Source: Entered by the author through www.ey.com.

In addition, it can be said that IPOs are very effective in the world. In particular, in 2019, 1115 listings were registered worldwide, which is 19% less

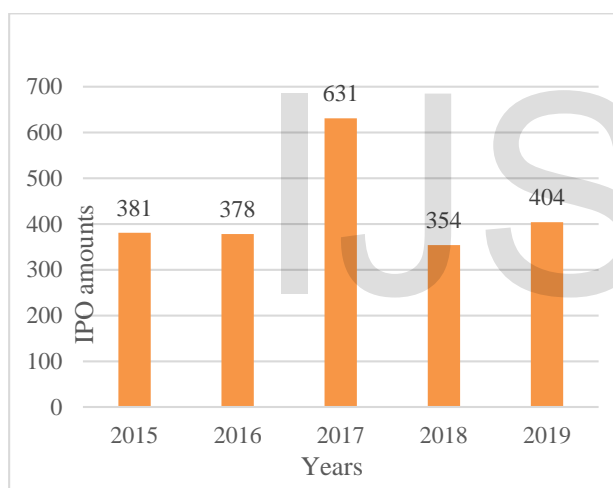


Fig.2. Amount of IPOs in 2015-2019

Source: Price Waterhouse Coopersning “China IPO watch 2019” maqolasi asosida tayorlandi.

It should be noted that the Chinese stock market does not have free conversion. The Chinese economy is relatively independent and does not depend on world market conditions. The Chinese stock market has a strong influence on the global stock market and is becoming increasingly independent. Despite the slowdown in China’s economic growth since 2014, China remains the most attractive place to list and can easily play the role of a global IPO hub.

Conclusions and suggestions

Considering the main advantages and disadvantages of IPO, our research shows that based on practice, the advantages of this type of capital raising outweigh its disadvantages.

Given the role of the Republic of Uzbekistan in the world economy and the fact that the majority of the

than in 2018. These companies have raised a total of \$ 198 billion. This is 4% less than the previous year. [17]

Speaking of the general state of the IPO market in China, we can see that in 2019, the amount accumulated through the IPO increased by 36% from \$ 57.5 billion to \$ 77.9 billion. As can be seen from the table, the number of IPOs also increased from 354 in 2018 to 404, with an overall increase of 19%. So, in terms of size and volume of IPOs, it has become one of the leading countries in the world. Let's now analyze IPOs in terms of stock exchanges. Overall, China's stock rose 36%, with Hong Kong alone, the world's leading stock exchange, growing 11% to \$ 40.7 billion. With the opening of the Shanghai Science and Technology Innovation Board, the Shanghai Stock Exchange grew by 116% year-on-year to \$ 11.8 billion due to the listing of 70 companies. In Shenzhen, the volume of IPOs increased by 63% and the funds received from them by 24%. The Hong Kong Stock Exchange GEM, which had 75 listing members in 2018, accumulated the same amount of funds (\$ 0.7 billion), which is 5 (80 listings) less than in 2017. [18]

population is small and medium-sized businesses, the following proposals for the IPO can be made:

- Pay special attention to the consideration of measures to increase financial literacy of citizens of Uzbekistan;
- Increasing the capacity of advertising for public placement, such as IPOs;
- Establishment of a separate IPO opportunity at the largest stock exchanges in Uzbekistan;
- Addition of the sector for the issuance of high-tech start-up securities;
- To study the stock exchanges, the participants of which are small and medium-sized businesses, in the world experience, and to adapt Uzbekistan, whose main activity is small and medium-sized businesses, to its conditions.

Given the prospects of creating a securities market, it is especially important to increase the number of specialists in this field and provide them with the latest information, innovation, technology and software.

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