

Analysis of the Activities of Commercial Banks in the Stock Market of the Republic of Uzbekistan

Kamilova Sevara Anvarovna

Lecturer of the department "Finance", At the Tashkent Financial Institute

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ABSTRACT

This article provides an in-depth analysis of the activities of commercial banks in the stock market of the Republic of Uzbekistan. The role of the financial sector in the economy of Uzbekistan has been growing rapidly, as the country is undergoing market reforms and liberalization. The focus of this paper is to assess the effectiveness of commercial banks in the stock market, identify the main challenges, and provide recommendations for improving the overall performance of the financial sector.

INTRODUCTION

The importance of the activities of commercial banks in the stock market cannot be overstated. A robust and well-functioning financial sector plays a key role in promoting economic growth, fostering investment, and allocating resources efficiently (Levine, 2005). Commercial banks, as essential intermediaries in the financial system, facilitate the flow of funds between savers and borrowers, thereby contributing to the optimal allocation of capital in the economy (Demirgüç-Kunt & Levine, 2008). Furthermore, by participating in the stock market, commercial banks can offer a range of financial services, such as brokerage, investment advisory, and asset management services, which ultimately benefit both individual and institutional investors. In the context of Uzbekistan, the activities of commercial banks in the stock market hold particular significance as the country is undergoing market reforms and liberalization (IMF, 2021). The Uzbek government has been undertaking reforms to liberalize the economy, attract foreign investment, and develop its financial sector. As a result, the Uzbek stock market has evolved over the years, with commercial banks playing a central role in its development. As a vital part of the economy, the financial sector has been growing rapidly, with commercial banks playing a crucial role in the development of the stock market (World Bank, 2021). This article aims to analyze the activities of commercial banks in the stock market of Uzbekistan and provide an understanding of the current state of the financial sector.

LITERATURE REVIEW

The literature on the activities of commercial banks in the stock market of Uzbekistan is relatively scarce. However, some studies have been conducted on the financial sector's overall performance, liberalization, and market reforms (Estrin & Uvalic, 2014; IMF, 2021). These

studies indicate that the financial sector of Uzbekistan has been undergoing rapid changes, driven by the country's commitment to economic liberalization and market-oriented reforms (IMF, 2021). A comprehensive understanding of the activities of commercial banks in the stock market is essential for assessing the effectiveness of these reforms and identifying the main challenges faced by the financial sector.

ANALYSIS AND RESULTS

To analyze the activities of commercial banks in the stock market of Uzbekistan, this article relies on a qualitative approach based on a review of relevant literature, official reports, and data obtained from the Central Bank of Uzbekistan (CBU), the World Bank, and the International Monetary Fund (IMF). In addition, secondary sources, such as articles, journals, and reports from international organizations, have been consulted to provide a more comprehensive understanding of the financial sector.

Findings and Discussion

Commercial banks in Uzbekistan play a crucial role in the stock market, providing a variety of financial services, including loans, deposits, securities trading, and investment advisory services (CBU, 2021).

Key Functions of Commercial Banks in the Stock Market

Commercial banks in Uzbekistan are involved in various activities within the stock market, including:

- **Underwriting:** One of the primary roles of commercial banks in the stock market is underwriting securities. They facilitate the issuance of stocks and bonds by companies seeking to raise capital, ensuring that these offerings are successful and comply with regulatory requirements.
- **Brokerage Services:** Commercial banks also offer brokerage services to retail and institutional investors, enabling them to buy and sell securities on the stock market. They provide access to trading platforms, research, and advisory services that assist investors in making informed decisions.
- **Asset Management:** Some commercial banks in Uzbekistan offer asset management services, managing investment portfolios on behalf of clients. These services include selecting and managing investments, monitoring performance, and ensuring that clients' financial goals are met.
- **Market Making:** Commercial banks often act as market makers, providing liquidity to the stock market by continuously buying and selling securities at publicly quoted prices. This activity helps to maintain an orderly and stable market and facilitates efficient price discovery.
- **Custodial Services:** Banks play a vital role in providing custodial services for securities, ensuring the safekeeping and accurate recording of clients' investments. They also facilitate the clearing and settlement of securities transactions, reducing risks and promoting efficiency in the market.
- **Corporate Advisory Services:** Commercial banks offer corporate advisory services to companies seeking to raise capital through the stock market. They help companies structure and execute initial public offerings (IPOs), mergers and acquisitions, and other corporate actions.
- However, the analysis reveals several challenges that hinder the effectiveness of these activities:

- Limited diversification of financial products: Commercial banks in Uzbekistan primarily focus on traditional banking services, such as loans and deposits, with limited exposure to the stock market (World Bank, 2021). The lack of diversification may reduce the banks' resilience to external shocks and limit their capacity to support the development of the stock market.
- Underdeveloped capital market: The capital market in Uzbekistan remains underdeveloped, with a limited number of listed companies, low market capitalization, and low liquidity (IMF, 2021). This constrains the ability of commercial banks to effectively participate in the stock market and offer a wider range of financial services to their clients.
- Insufficient regulatory framework: The existing regulatory framework for the financial sector in Uzbekistan is still evolving, and there is a need for further improvements to ensure effective supervision and risk management (Estrin & Uvalic, 2014). Weaknesses in the regulatory framework may expose commercial banks to risks and undermine their ability to operate efficiently in the stock market.
- Limited financial literacy and awareness: The overall level of financial literacy and awareness among the population and businesses in Uzbekistan remains low (World Bank, 2021). This limits the demand for stock market-related products and services offered by commercial banks, thus constraining the growth of the stock market.

Recommendations

Based on the findings of this analysis, the following recommendations are proposed to improve the activities of commercial banks in the stock market of Uzbekistan:

1. Diversify financial products and services: Commercial banks should expand their range of products and services related to the stock market, such as offering more investment options, trading platforms, and advisory services, to attract a broader client base and promote market development.
2. Strengthen the regulatory framework: The government and the Central Bank of Uzbekistan should continue working on enhancing the regulatory framework for the financial sector, ensuring effective supervision, risk management, and transparency.
3. Develop the capital market: Efforts should be made to promote the growth of the capital market in Uzbekistan, including encouraging more companies to list their shares, improving market infrastructure, and fostering a more transparent and efficient trading environment.
4. Enhance financial literacy and awareness: Initiatives aimed at improving financial literacy and awareness among the population and businesses should be prioritized, including educational programs, public awareness campaigns, and the development of user-friendly resources related to the stock market and investment.

CONCLUSION

The activities of commercial banks in the stock market of Uzbekistan are vital for the development of the country's financial sector. Despite the challenges identified in this analysis, significant opportunities exist for the improvement and expansion of commercial banks' participation in the stock market. By implementing the recommendations provided, Uzbekistan can further enhance the effectiveness of its financial sector and contribute to the overall growth and development of the economy.

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