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ANALYZING KEY FACTORS INFLUENCING SHARE LIQUIDITY IN UZBEKISTAN

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Abstract:
This article examines the significance of stock liquidity within Uzbekistan's stock market. Liquidity is crucial for successful investments, as it affects the ease with which shares can be sold at market price. The study analyses various factors that influence share liquidity, including trading volume, bid-ask spread, company financial stability, index inclusion, and market participant behaviour. Enhancing the stock market's liquidity and increasing liquid assets can improve the country's economic landscape, fostering new investment opportunities and corporate growth, and ultimately contributing to overall economic development.

Keywords: Share, liquidity, spread, trading volume, "free float". Stock index, capital market.

INTRODUCTION

Uzbekistan has adopted a new plan for the development of the stock market, within which one of the key indicators for the next seven years is to increase the volume of freely traded shares to $8 billion. The country plans to increase the capitalization of publicly traded shares to at least $8 billion in seven years. Currently, this figure is $340 million. Thus, the stock market of Uzbekistan should grow more than 20 times by 2030, following the country's development strategy [1]. Responsibility for achieving this ambitious goal is assigned to the National Agency for Prospective Projects (NAPP) following the resolution "On additional measures for the development of the capital market." This agency is now responsible for the stock market. Together with the new regulator, the capital market received a development plan until 2025, which includes the launch of a unified depository system and the establishment of connections with international market participants [9].

The stock market of Uzbekistan is at the initial stage of its development. A significant number of stocks and bonds are traded on the stock exchange. Currently, in Uzbekistan, every citizen has the opportunity to open a brokerage account and invest in shares on the stock market [8]. When choosing shares on the stock exchange, various factors must be taken into account, including the level of speculative and dividend yield, as well as risks [3]. Otherwise, there is a high probability of not receiving the expected profit, but of incurring serious losses. Some new investors buy stocks for dividends but are often unaware of the concept of stock liquidity. When the time comes to sell securities, they may suddenly find themselves at a loss. The liquidity of an asset plays an important role and can significantly affect its profitability or unprofitability [2].

LITERATURE ANALYSIS

Research by foreign scientists in the field of stock liquidity is focused on various aspects, including:

The impact of liquidity on stock returns. Among the fundamental works devoted to this issue are monographs authored by such foreign scientists as M. Kendall, A. Mackinlay, B. Malkiel, Y. Fama, K. French, R. Schiller, and V. Andrew. The conclusions set out in the works of Yu. Fama served as the foundation on which theories are built that explain the efficiency of stock markets (M. Kendall, A. Cochran) [5].

There is a relationship between liquidity and the capital structure of companies, and scientists also note that the liquidity of shares has a significant impact on stock markets, in particular: it increases the efficiency of pricing, reduces market volatility, and increases the availability of investments (E.Yu. Makeeva) [4].

RESEARCH METHODOLOGY

In this research work, research methods such as a systematic approach, comparative analysis, observation, comparison, and statistical table are widely used.

ANALYSIS AND DISCUSSION OF RESULTS

The main problem in the stock market is the lack of liquidity in stocks, which means a lack of investors (buyers and sellers) and a lack of attractive liquid securities actively traded on the exchange. What factors determine the liquidity of shares and, in general, what is liquidity?

Liquidity is the ability to quickly sell an asset at a price close to the market price. From a liquidity point of view, you can evaluate any property owned by a person or company, including securities. The word "liquidity" comes from the Latin "liquidus", which translated into Russian means "liquid" or "fluid" [5].

All assets can be divided into four groups according to the degree of liquidity:

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1. Highly liquid: can be sold in one day.
2. Medium liquid: sales take up to several weeks.
3. Low liquidity: require more than a few weeks to sell.
4. Illiquid: assets that cannot be sold without a significant discount

The same applies to the liquidity of shares on the stock exchange. This indicator reflects the demand for securities in the market and helps investors assess the possibility of quickly selling assets. A share that can be sold at a market price is considered liquid.

Shares of various companies can be classified according to their level of liquidity according to quotation lists. First-tier shares, or "blue chips," are considered the most liquid and reliable. This group includes shares of the largest companies, such as shares of JSC Quartz, JSC UzRTSB, and JSC Uzmetkombinat.

Second-tier shares have moderate liquidity. They can be sold quickly, but there is a risk of loss in value.

Third-tier securities are considered low-liquid and include shares of new issuers that do not meet the requirements for inclusion in the first or second-level lists.

Any stock traded on an exchange is assessed in terms of liquidity. As a rule, such shares are combined into indices. These are kind of indicators - they reflect the overall picture of the market.

It is important for stock exchanges that the shares traded on them be liquid. This means that there should be a high demand for these securities as investors are more likely to transact in such stocks. This helps increase the income of exchanges, which receive a commission for each transaction.

The liquidity of shares does not always depend on the market's assessment of the company's value. Trading volumes for shares of an inexpensive company may be higher than trading volumes for shares of expensive companies due to various factors such as political events, corporate news, economic conditions and others [6].

To assess liquidity, you should pay attention to the following criteria:

1. Trading volume: the more transactions with shares are concluded, the higher their liquidity. An increase in demand for securities accelerates their sale, and high sales volumes contribute to increased liquidity.
2. Spread the difference between the purchase price and the sale price. If shares bought yesterday are sold at the same price today, the difference in price is minimal, indicating a low spread and high liquidity [6].
3. Financial stability of the issuer: The attractiveness of securities largely depends on the financial stability of the issuing company. Investors prefer shares of companies with high returns, which directly affects the volume of transactions and trading turnover. If an issuer's financial performance begins to deteriorate, the securities may become less liquid.
4. Participation in stock indices and exchange-traded investment funds: One of the key factors influencing the liquidity of shares is their presence in stock indices and exchange-traded investment funds.
5. Behavior of market participants: The liquidity of assets also depends on the actions of market participants and their desire to purchase shares. Sometimes situations arise when increased interest in securities creates the illusion of their high liquidity, especially when companies with innovative products appear on the market.
6. Impact of the issuer: The issuer itself can influence the liquidity of shares. For example, to increase demand for its shares, a company may "split" them. Another way to increase liquidity is to increase the number of shares outstanding by selling additional shares on the stock market.
7. Definition of "free float": To more accurately assess the liquidity of shares on the market, it is not enough to simply take into account the number of transactions on the exchange. Often shares of large companies are predominantly in the hands of owners, top management and large shareholders. Therefore, to correctly assess the liquidity of shares, it is necessary to take into account the "free float" parameter. Simply put, it is the number of shares available for free trading on the stock market.

A low "free float" indicator indicates low liquidity of the asset. This means that the fewer shares available, the fewer investors can trade them, despite the company's strong financial performance.

A high "free float" value may indicate the liquidity of the stock, but all circumstances must be taken into account. Sometimes companies with uncertain prospects issue a large number of shares to the market in the hope of attracting new investors, but this does not guarantee that they will be in demand.

How to calculate "free float"? Foreign stock exchanges publish "free float" data for the most liquid companies, available to all investors. If you want to determine the "free float" value for other companies, you will have to do the calculation yourself. This can usually be done by referring to the company's quarterly reports published on official websites or corporate disclosure sites. The calculation is carried out according to the formula:

Total number of shares (100%) - shares of company owners (%) - shares of top management (%) - shares

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of other large shareholders (%) = "free float" coefficient [6].

CONCLUSION

Having analyzed the above, we can say that today the factors determining the level of liquidity of shares of joint stock companies in Uzbekistan may include the following:

1. Economic environment of Uzbekistan: Macroeconomic stability and reforms influence the investment climate and demand for shares.
2. Regulation and Compliance: Laws and market transparency affect the liquidity of stocks.
3. Technical aspects of the market: Trading volume and efficiency of the trading system.
4. Specifics of the industry and company: - Fundamental indicators and degree of competition
5. Political and geopolitical environment: Political stability and international relations affect investor confidence and also the liquidity of stocks.

The capital market represents an alternative source of financing for businesses in Uzbekistan. Currently, businesses in the country rely heavily on bank financing, which is expensive and often unavailable. The stock market offers the opportunity to use another type of capital - equity, which is not debt. This allows companies to attract long-term investment for their growth without increasing debt by issuing shares. Liquid equity capital is the best way to finance projects that require long-term investment. The development of the stock market and an increase in liquid assets can lead to an improvement in the economic situation in the country, as companies will have more opportunities to attract capital for their development, create new jobs and invest in new projects, which contributes to overall economic growth.

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