



## THE PRACTICE OF PUBLIC INITIAL PUBLIC OFFERING OF SHARES BY A JOINT-STOCK COMPANY

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### ABSTRACT

*Due to the growing demand for investment in foreign countries, many companies are using various ways to attract them. In particular, the method of increasing the company's capital by placing its shares in the primary market on the basis of IPOs. Through this method, the company offers the fairest assessment of the market value of its assets. Listed companies will be required to meet high standards of financial and business disclosure, as well as create investment appeal for potential investors*

### Introduction

In the context of the development of the country's economy, it is appropriate for corporate structures to compete at the international level. For this, they are required to regularly develop their activities, implement innovative projects, and have their place and rating in the financial markets of developed countries. We know that the implementation of new projects is directly related to attracting a large amount of capital. Based on this, corporate structures at the international level are paying serious attention not only to attracting capital from the national market, but also to attracting capital from international financial markets. A lot of work is being done in this regard in our country. In particular, the practices of initial public offering (IPO) and secondary public offering (SPO) have entered our country.

As we know, "Initial public placement of shares in international stock markets is carried out on the basis of a certain level of competitiveness. Because the IPO provides the company with additional investments and increases the investment attractiveness and international reputation of the firm. All this provides an opportunity to effectively achieve business goals, solve social problems, and fulfill one's obligations to the state. On the other hand, entering the international stock markets itself serves as a factor of the company's further development.

It should be noted that in world practice, IPO or SPO practices are organized by corporate structures in international markets in addition to national markets. The above aspects show that the time has already come for joint-stock companies in our country to organize IPO or SPO practices on regional and international stock exchanges.

For the first time in the practice of our country, IPO and SPO operations were carried out on December 28, 2017. "Decree No. PF-4933 of the President of the Republic of Uzbekistan dated January 17, 2017 "On measures to accelerate the sale of state-owned objects for business use and further simplify its procedures", signed on February 7, 2017 by the President of the Republic of Uzbekistan 2017-2021 In the five priority areas of the development of the Republic of Uzbekistan in the Action Strategy in 2015, tasks such as "developing the stock market as an alternative source for the deployment of free resources of the population", "achieving the initial placement of shares of individual national enterprises in prestigious foreign stock exchanges (IPO), ensuring their access to the foreign capital market" 10 of 2017 of the Cabinet of Ministers of the Republic of Uzbekistan in order to ensure the implementation and to introduce forms widely used in international practice for the disposal of state-owned objects and to attract a wide segment of the population to the stock market the relevant decision No. 268 of May "On organizing the public offering of shares on the Stock Exchange" was adopted.

### **Literature Review**

The practice of initial public placement of shares is briefly called IPO (from the English language - Initial Public Offering). An IPO is a public placement of shares by the issuer in the market by the method of primary public subscription, during which they reach a wide range of investors and carry out free trading on the stock exchange. In other words, IPO means that the issuing company offers its shares on the open market for the first time. In this way, the company changes from "closed" to "open", that is, investors who are interested in the company's shares can freely buy them on the stock exchange.

If we look at the history of IPO, since the mid-1970s, the observation and study of the IPO process has led to the creation of a number of practical and scientific works. In the period before the global financial crisis of the late 1990s, much attention was paid to the study of IPOs. At that time, companies could make huge profits from IPOs. Initial Internet (company)-shares played an important role in the development of the new Internet-information companies industry[1].

Of course, the issuing company plays an important role in the decision to conduct an IPO and in the process of its implementation, but one should not forget about the important role of other participants in the process. Because studying the problems of conducting an IPO not only from the point of view of the issuer, but also from the point of view of other participants allows to reveal this process more widely. SPO (from the English language - Secondary Public Offering) is the practice of secondary public placement of shares owned by shareholders." Unlike IPO, the company does not raise capital through SPO. In this case, previously placed shares are publicly offered to a wide range of investors. However, as a result of this, the attractiveness, popularity and recognition of the enterprise among investors is achieved [2].

In particular, "American scientist Jay Ritter emphasized that the IPO process should be focused on maximum capital attraction [2]"

Chinese economists Thomas Chemmanur, Gang Hu, Jiekun Huang point out that one of the important aspects of the participation of institutional investors in IPO practices is underwriting activity. they will receive service fee", he said [3].

Foreign economists Alex Petkevich, Thomas Brian, "most of the institutional investors

participate in IRO's auctions from time to time. These types of institutional investors typically consist of investors recommended by the underwriters. They bid on a small fraction of the stock and rarely buy the stock. "Among institutional investors, the number of regular participants in IPO auctions is a minority, but they have conservative offers and are seen as participants with good knowledge of the market," he noted. "Natalia Matanova studied the impact of initial public offering (IPO) practices on private equity (RE) and venture capital (VC) ownership." Economists A. Petkevich, T. Samdani "emphasized that the relatively low valuation of shares in the IRO process affects the reduction of the volatility of income from public placement of shares [4]".

According to another group of scientists, "the purchase of shares by institutional investors has a significant positive effect on the IPO price. Institutional investors serve as a sign of the quality of companies, because they invest only in transparent and promising companies.

Foreign economists Hsin-Yi Huang, Min-Hsien Chiang, Jia-Hui Line, Yun Lin "identified 3 methods of IPO, i.e. fixed-price, auction and book -building) studied the effect of methods on investor trading. They emphasized that the methods of auction and book-building increase the efficiency of public placement [5].



As a result of reforms carried out in our country to improve the practice of attracting funds by issuing securities, the participation of joint-stock companies in the stock market, the number of issued securities, and the total value of issued securities have been increasing over the years.

According to the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 268 of May 10, 2017, the shares of "Shakhrisabz vino-vodka" joint stock company, whose shares are to be sold through an initial (IPO) and secondary (SPO) public offering, No. 358 of the Cabinet of Ministers of the Republic of Uzbekistan dated April 26, 2019 organization of IPO and SPO practices by joint-stock company "Uzsanoatkurilishbank" JSC, "Aloqabank" JSC, "Asia Alliance Bank" JSC, "Commodity Exchange of the Republic of Uzbekistan" joint-stock company whose shares are to be sold through primary (IPO) and secondary (SPO) public offering it cannot be considered a positive situation. On the basis of the above-mentioned decisions, joint-stock companies that are determined to organize IPO and SPO practice are

considered appropriate to organize this practice.

More "road shows" in front of potential investors by the companies planning to public placement of shares are important for the successful placement of shares. Because highlighting past success and future growth potential of a company planning an IPO through a "road show" will be highly valued by investors.

It should be emphasized that there are a number of factors that ensure the successful placement of shares in public trading. In particular, we can mention that joint-stock companies planning to issue shares for public sale should choose the underwriter (group of underwriters) correctly, plan marketing (advertising) work correctly, and focus on determining the period when the income will be high relative to the population when determining the time of receiving applications.

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