

**DEVELOPMENT OF THE CORPORATE BOND MARKET AND
INVESTMENT ACTIVITY: THE CASE OF UZBEKISTAN****Hamzayev Azizbek Nematovich****PhD, [AIFU University](#)****Abstract**

This article examines the theoretical and practical aspects of capital raising through corporate and sovereign Eurobonds. The study explores the formation of the international bond market, the economic essence of Eurobonds, and their role in diversifying sources of financial funding. In addition, recent development trends in Uzbekistan's bond market are analyzed, with the dynamics of growth in the number of issuers and the volume of outstanding bonds assessed on the basis of statistical data. Furthermore, the activity of the secondary market is examined using the price movements of selected issuers' bonds as illustrative examples, allowing conclusions to be drawn regarding investor confidence and market stability. The findings of the study demonstrate the necessity of further developing the bond market as a key instrument for mobilizing medium- and long-term financial resources.

Keywords: Eurobonds, corporate bonds, international bond market, capital raising, financial financing, stock market, secondary market, investments, issuers.

Introduction

In the context of the diversification of capital-raising mechanisms in global financial markets, bonds—particularly Eurobonds—have emerged as one of the most significant financial instruments. Eurobonds are distinguished by their issuance in foreign currencies, relatively lower interest rates, and the ability to attract long-term financial resources. These characteristics have made them an important source of financing not only for developed economies but also for emerging markets.

In the economy of Uzbekistan, the development of the financial market and the expansion of alternative financing sources for both private and state-affiliated issuers represent one of the most pressing challenges. In recent years, positive developments observed in the corporate bond market, including an increase in the number of issuers and a substantial growth in the volume of outstanding bonds, indicate the high development potential of this segment. At the same time, ensuring the efficient functioning of the bond market requires an in-depth analysis of secondary market mechanisms and the strengthening of investor confidence.

Literature Review

In his studies on corporate finance and the effective organization of financial provision, I. Ya. Lukasevich notes that Eurobonds are bonds sold outside the issuer's country and denominated in hard foreign currency. He explains that the addition of the term "euro" to the concept of bonds is associated with U.S. companies issuing special bonds for placement on European stock exchanges. This indicates that the earliest Eurobonds were initially issued by corporate entities. In recent years, Eurobonds have predominantly been issued and placed in U.S. dollars and euros.

According to the research of E. D. Alimardonov, M. B. Sultonboeva, and S. A. Abduvaliev, Eurobonds are foreign-currency-denominated bonds whose nominal value is expressed in a currency other than that of the issuing country, thus representing foreign-currency obligations for the issuer. This definition likewise emphasizes the placement of Eurobonds in foreign currencies.

S. Elmiraev, M. Rakhmedova, and Kh. Kholikov analyze the practice of allocating funds raised through Uzbekistan's sovereign Eurobond issuances and highlight several controversial issues in this process. In particular, they stress that when projects financed through Eurobonds are clearly defined and assessed as promising, interest rates on Eurobonds tend to be lower; therefore, both sovereign and corporate issuers should pay particular attention to this aspect.

In her research on financial provision in corporate structures, N. Tursunova examines the procedures for issuing and placing Eurobonds to attract foreign capital, along with their specific advantages and disadvantages, as well as the role of global arrangers and their conditions for accessing the Eurobond market. She emphasizes that the issuance of Eurobonds requires a certain level of preparatory work and associated costs; however, it enables the attraction of large volumes of long-term financial resources at relatively low interest rates.

M. N. Rakhmedova investigates the attraction of foreign investment through both corporate and sovereign Eurobond issuances and placements. Her research reveals the methods of Eurobond placement, the relationship between credit ratings and coupon rates, and provides an analysis of Eurobonds and international bonds issued by national corporate entities. She also notes that funds raised through Eurobond issuance should be directed toward the country's most promising and innovative projects in order to create further opportunities for participation in international securities markets.

Although a number of studies have been conducted in Uzbekistan in this field, several important aspects still require closer attention in the practical experience of corporate issuers entering the international bond market.

At present, in the global financial market, international bonds are generally classified into four categories: domestic bonds sold in external markets; foreign bonds issued by foreign entities and placed in local markets; Eurobonds that are not denominated in the national currency of the issuing country; and global bonds sold simultaneously in multiple markets. This classification demonstrates that international bonds have already acquired a broad and well-defined typology, which is particularly relevant from the perspective of issuance and placement mechanisms.

Analysis and results

In recent years, with increasing attention paid to capital raising through bond issuance, changes in the number of bond issuers operating in the market over time are presented as follows (Figure 1).

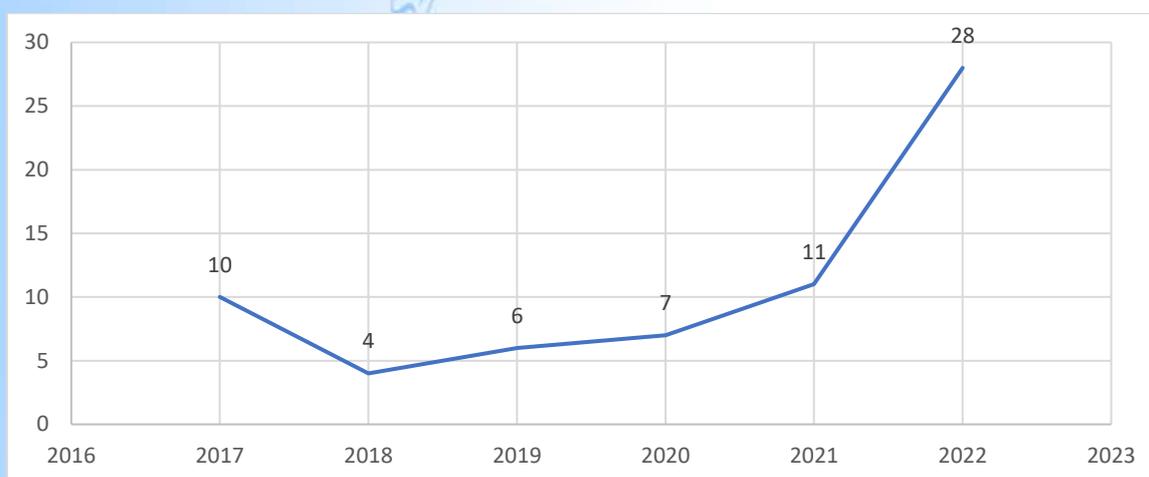


Figure 1. Dynamics of changes in the number of bond issuers in Uzbekistan.

As can be observed from the data presented in the figure, the number of bond issuers in Uzbekistan has exhibited an upward trend since 2019. By 2022, this indicator reached 28 issuers, whereas in 2018 the number of corporate bond issuers amounted to only four. This sharp increase is directly attributable to the granting, from 2021 onward, of the right for limited liability companies to raise capital through the issuance and placement of bonds.

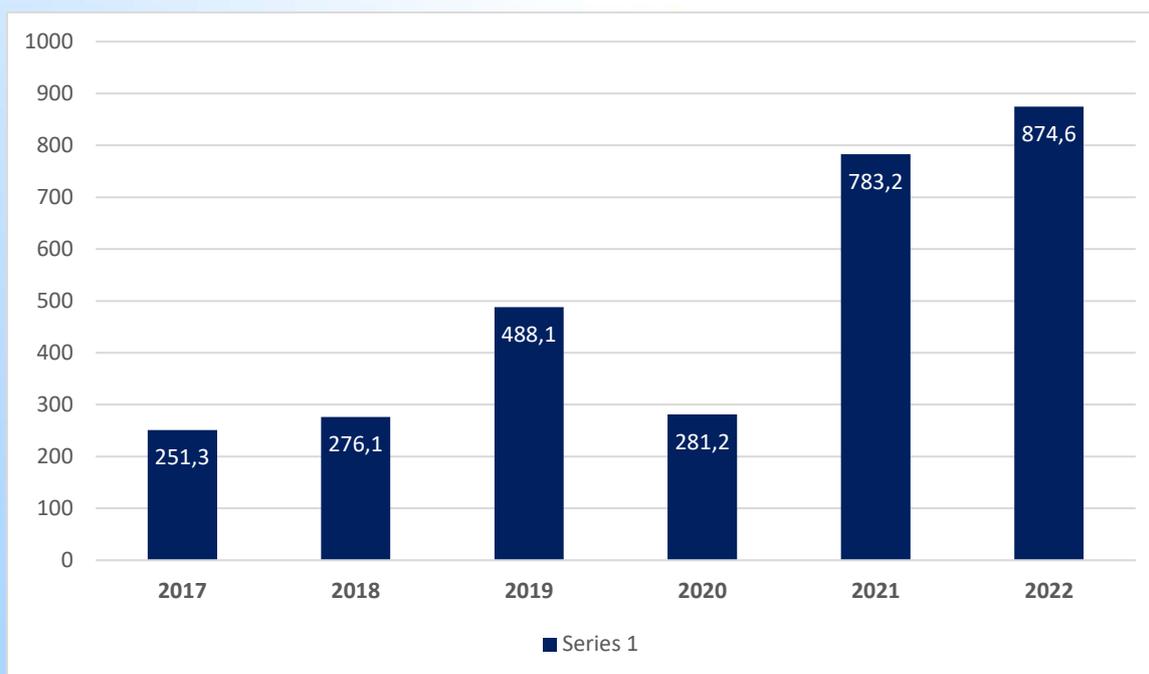


Figure 2. Dynamics of the volume of bonds outstanding in Uzbekistan (billion UZS).

The analysis indicates that, compared to the volume of bonds outstanding in 2017 amounting to 251.3 billion Uzbek soums, the corresponding indicator in 2022 increased by nearly 3.5 times.

The bonds analyzed above were placed among investors either through public or private offerings, based on the issuer's decision. In this regard, the following bonds were publicly placed on the Tashkent Republican Stock Exchange (Table 2.).

Considering the maturity structure of the bonds traded on the stock exchange and analyzed in the figure above, it can be observed that Kapitalbank Joint-Stock Commercial Bank issued bonds with maturities of 7 and 10 years, which represent a source of long-term funding for the bank. The active application of such practices by state-owned commercial banks is also of significant importance for the development of the stock market. In this context, it is essential to ensure that the bond market evolves into a predominantly medium- and long-term segment in the future.

It should be noted that, among issuers whose bonds are traded on the Tashkent Republican Stock Exchange, Kapitalbank Joint-Stock Commercial Bank holds the largest share—38 percent—in terms of the volume of bonds outstanding (Figure 3).

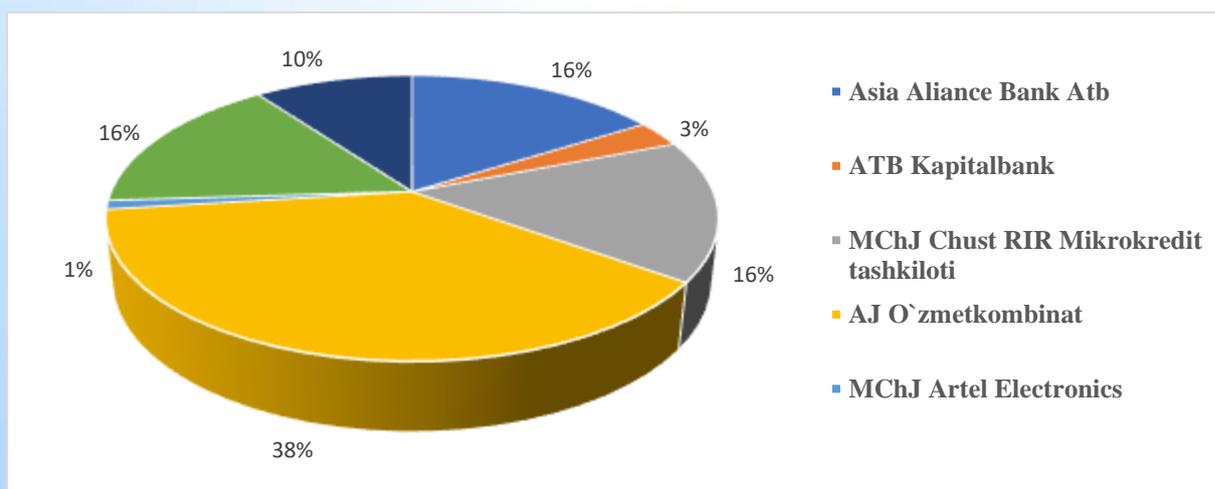


Figure 3. Issuers' shares of commercial banks' bonds traded on the Tashkent Republican Stock Exchange (TRSE).

Uzbekistan Metallurgical Combine Joint-Stock Company and Asia Alliance Bank Joint-Stock Commercial Bank, each having placed bonds in the amount of 50 billion Uzbek soums, account for a 16 percent share each.

The dynamics of the market price of individual issuers' bonds can be examined using the example of bonds issued by Business Finance Microfinance Organization Limited Liability Company. Focusing on the period from September 12, 2022, to December 31, 2023, a decline in market prices can be observed in October 2022 and in mid-December of the same year.

An analysis of trading activity in the stock market indicates that the bonds of Business Finance Microfinance Organization LLC are actively traded in the secondary market. According to the graphical data, the price movements of these bonds in the secondary market were quoted within a price corridor ranging from 1.0 million to 1.02 million Uzbek soums. The highest transaction price reached 1.02 million soums, which has subsequently acted as a resistance level, constraining further upward movement in bond quotations. During October and November, quotations approached this maximum level, and it can be observed that trading volumes increased significantly as prices neared this point.

Based on the above, the approach of bond prices toward their maximum value appears to encourage bondholders to increase supply at that price level. It should be emphasized that the absence of trading below nominal value indicates that investor confidence in these bonds has not deteriorated.

Overall, since the bond market represents a segment of the debt instruments market, it can be argued that its development potential remains relatively high. The advancement of this

segment of the financial market is expected to emerge as a competitor to the credit market in the future, thereby contributing to their parallel and complementary development.

Conclusion

The results of the study indicate that Eurobonds and corporate bonds constitute important instruments for attracting long-term financial resources in the economy. The sharp increase in the number of bond issuers in Uzbekistan in recent years, along with the multiple-fold growth in the volume of outstanding bonds, demonstrates the ongoing institutional development of the domestic stock market.

The analysis of secondary market movements of individual issuers' bonds reveals that investor confidence in bonds remains stable. The fact that bonds have not been traded below their nominal value reflects cautious yet positive expectations among market participants. Overall, the bond market possesses significant potential to support economic growth as an alternative financial segment to the credit market.

Therefore, in the long term, the development of the bond market in Uzbekistan—particularly the medium- and long-term bond segments—along with the expansion of institutional investor participation and the improvement of market infrastructure, will play a crucial role in ensuring economic stability.

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