
**DIRECTIONS FOR ATTRACTING CAPITAL TO CORPORATE
STRUCTURES THROUGH EUROBONDS**
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Abstract

Keywords:

financial resources,
international capital
markets, bonds
preferred stock,
pandemic result,
interest rates

The article highlights the economic importance of attracting financial resources from national and international financial markets and increasing capital by joint stock companies operating in the Republic of Uzbekistan. The current situation with the attraction of capital by companies in the financial sector from international financial markets is analyzed and key conclusions are drawn. In national practice, the existing shortcomings in the financing of enterprises on the basis of debt instruments have been studied and scientific proposals have been developed to address them.

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INTRODUCTION

While ensuring the continuity of financial support in the management of public finances and corporate finance serves the continuity of activities, the targeted and efficient use of financial resources will ensure the growth of the efficiency of corporate structures. At the same time, special attention is paid to the issue of attracting financial resources through the financial market in a market economy. In this regard, the Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 highlighted the issue of "ensuring that the amount of newly attracted external debt in public debt management does not exceed 4.5 billion US dollars per year"¹.

In our country, state and corporate structures finance their activities with a limited

¹ Decree of the President of the Republic of Uzbekistan PF-60 dated 28.01.2022 "On the Development Strategy of the New Uzbekistan for 2022-2026"

range of resources, mainly through their own funds, shares, bank loans, leasing. Financial security through the circulation of corporate bonds is extremely narrow. The fact that they have not yet organized the international circulation of shares, the practice of public placement of shares on international stock exchanges, the relatively narrow scope of the circulation of Eurobonds, indicate that there are problems in attracting foreign capital. “Our banks need to enter international financial markets and bring cheap and long-term resources. The National Bank and Ipoteka Bank should issue their own Eurobonds this year”².

LITERATURE REVIEW

In Uzbekistan, special attention is paid to providing joint stock companies with additional financial resources and raising the international sovereign credit rating by attracting financial resources from the international capital market. The transformation of joint-stock companies into participants in the international financial market will increase their ability to introduce innovative technologies into production processes, as well as increase the process of international integration. Jacob Engwerda, Bas van Aarle, Tzanis Anevlavis analyze the impact of Eurobonds on the debt dynamics of countries on the example of Belgium and the Netherlands. It will also examine the activities of monetary and fiscal authorities to mitigate the impact of Eurobonds on financial markets, with a particular focus on fiscal compliance³.

J.Tielens, B. van Aarle, J.Van Hovelar assessed the impact of Eurobonds on the dynamics of sovereign debt on the example of EU member states Portugal, Ireland and Greece. Sovereign debt scenarios have been developed without Eurobonds and through full Eurobonds. And the effectiveness of the use of Eurobonds to reduce macroeconomic shocks and uncertainties has been identified⁴.

One of the economists of our country Sh.A. Toshmatov analyzed the direction and efficiency of the funds received from the first sovereign international bonds of Uzbekistan⁵. M.N. Rakhmedova, in turn, studied the peculiarities of the circulation of Eurobonds in terms of attracting foreign capital⁶. A group of authors led by SE Elmirzaev studied the international securities market as an integral part of the financial market, paying special attention to Euro-action, Euro-bonds, Euro-paper circulation⁷. I.L.Butikov studied the organization of financial security through securities⁸.

²Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis. <https://uza.uz/oz/politics/zbekiston-respublikasi-prezidenti-shavkat-mirziyeevning-oliy-25-01-2020>

³Jacob Engwerda, Bas van Aarle, Tzanis Anevlavis. Debt stabilization games in a monetary union: What are the effects of introducing eurobonds? // Journal of Macroeconomics . Volume 59 , March 2019 . - Pages 78-102 .

⁴J. Tielens, B. van Aarle, J. Van Hove. Effects of Eurobonds: A stochastic sovereign debt sustainability analysis for Portugal, Ireland and Greece . // Journal of Macroeconomics . Volume 42, December 2014. - Pages 156-173.

⁵Toshmatov Sh.A. Placement of Uzbek international bonds in world financial markets: risks and forecasts. <http://review.uz/> , (Application date 08.05.2020)

⁶Tursunova N.R. Ways to effectively organize financial support in corporate financial management. - T .: “Economy and Finance”, 2017. - 142 p.

⁷Elmirzaev S.E. et al. Financial market. Textbook. - T .: “Economy and Finance”, 2019. - 324 p.

⁸Butikov I.L. Stock market. Textbook. - T .: “Konsauditinform”, 2001. - Б. 496 b.

ANALYSIS AND RESULTS

To date, ensuring economic development has created a demand for foreign capital, along with ensuring socio-economic development through the full transfer of domestic financial resources to the economy through the national financial market. Therefore, every state, every company prioritizes the issue of attracting capital from the international financial markets.

At a time when large-scale economic reforms and structural changes are being carried out in our country to ensure macroeconomic stability and radically improve the investment climate for private, including foreign investment, to integrate the country into international capital markets, attract additional sources of external funding and expand practical reforms have been implemented and initial successful results have been achieved.

According to the study, based on the need to obtain corporate ratings by leading banks and large enterprises of Uzbekistan and a sovereign credit rating of the country, which significantly expands the country's ability to attract foreign investment and debt without state guarantees. PQ-3877 "On additional measures".

Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021 in "Year of Active Entrepreneurship, Support of Innovative Ideas and Technologies", as well as expansion and diversification of foreign funding, foreign investors In order to increase the country's attractiveness, to create favorable conditions for attracting foreign investment, JP Morgan Chase as a financial advisor to obtain a sovereign credit rating of the Republic of Uzbekistan, as well as a sovereign credit rating of the Republic of Uzbekistan and the issuance of sovereign bonds of the Republic of Uzbekistan. the appointment of a consortium of banks led by

The Minister of Finance of the Republic of Uzbekistan was informed about the results of the tender by a consortium of banks headed by JP Morgan Chase, as well as consulting and other services with relevant international companies in obtaining a sovereign credit rating of the Republic of Uzbekistan, issuance and placement of sovereign bonds. authorized to sign the relevant agreements to obtain.

At present, the Ministry of Finance of the Republic of Uzbekistan is the authorized body for all operations to coordinate the issuance of sovereign debts, including corporate (bank) debt obligations ⁹. In this regard, the Ministry of Finance of the Republic of Uzbekistan for the issuance of sovereign credit rating of the Republic of Uzbekistan, issuance and placement of sovereign bonds by concluding direct contracts with relevant advisers and other financial and legal consultants, rating agencies, as well as fiscal, payment, transfer and listing agents. has the right to attract.

Funds of the Reserve Fund of the Cabinet of Ministers of the Republic of Uzbekistan account.

According to the current procedure, payments for the services of financial consultants in accordance with the contracts are made at the expense of funds from the placement of sovereign bonds of the Republic of Uzbekistan.

In this regard, the Ministry of Finance of the Republic of Uzbekistan has

⁹Resolution of the President of the Republic of Uzbekistan dated July 21, 2018 No PP-3877 "On additional measures to diversify sources of external financing"

established the State Sovereign, Corporate (Bank) Debt Obligations and Public Debt Management, which consists of 16 staff members, and the Ministry has the following functions:

- Interaction with international rating agencies, financial and legal consultants and other persons in the process of obtaining and maintaining the credit rating of the Republic of Uzbekistan, as well as in the issuance and placement of sovereign and corporate (bank) bonds;
- Preparation of statistical and information materials on obtaining sovereign and corporate credit ratings of the Republic of Uzbekistan, as well as macroeconomic and other indicators used in the issuance and placement of sovereign and corporate (bank) bonds for subsequent submission to foreign partners;
- preparation of proposals to improve the legislation of the Republic of Uzbekistan, taking into account the recommendations of experts, rating agencies, financial consultants and foreign investors;
- Accounting and reporting of public debt of the Republic of Uzbekistan and their management within its competence, as well as accounting of external debt of public organizations.

In February 2019, for the first time in the history of Uzbekistan, Eurobonds were successfully placed on the London Stock Exchange, one of the world's financial centers and historically the largest stock exchanges, and the Uzbek Eurobonds market was launched. At the same time, it placed 5-year \$ 500 million Eurobonds at 4.75% and 10-year \$ 500 million Eurobonds at 5.375%. Debt repayment periods are set for 2024 and 2029.

In order to radically reform the country's economy and carry out profound structural changes in the next five years, the President of the Republic of Uzbekistan approved the Action Strategy for 2017-2021 in five priority areas of development, the third of which provides for economic development and liberalization. This direction is aimed at solving the following important tasks:

- further strengthening macroeconomic stability and maintaining high economic growth rates;
- deepening structural changes, increasing its competitiveness by modernizing and diversifying the leading sectors of the national economy;
- modernization and accelerated development of agriculture;
- Continuation of institutional and structural reforms aimed at reducing state participation in the economy, protecting the rights of private property and further strengthening its priority position, stimulating the development of small business and private entrepreneurship;
- Comprehensive and balanced socio-economic development of regions, districts and cities, effective and optimal use of their existing potential.

Table 1

**Information on Eurobonds placed on world markets in Uzbekistan
in 2019-2022**

Issuer	Removal volume (\$ million)	Coupon rate (%)	International rating (M / F / SP)	Duration (year)	Purpose	Inquiry size
Finance Ministry	500	4.7	V1 / VV- /	5	Social infrastructure development	3.8 billion
	500	5.3	VV-	10		
Uzpromstroybank	300	5.75	- / BB - / -	5	-	1.2 billion
Ipoteka bank	300	5.50	- / BB - / -	5	Investment projects financing ; credit history in international capital markets create	500 million
National Bank	300	4.85	- / BB - / -	5	Foreign creating a loan portfolio in foreign currency	700 million
JSC "UzAvto Motors"	300	4.85	- / B +/-	5	Foreign investors in the middle opportunities expand	1.4 billion
Finance minister	555	3.7	V1 / VV- /	10	Budget deficit cover	1.6 billion 180 million
	195	14.5	VV-	3		

Analytical data show that the issued Eurobonds are very popular among foreign investors, as a result of which the coupon rate can be reduced by several points.

There is a large demand for each issue, which indicates that investors are interested in buying the securities of a country with a closed economy until recently.

All coupon rates are almost equally important, indicating that national issuers are currently cautious about setting coupon rates.

In recent years, radical changes have begun to take place in the socio-economic life of Uzbekistan. At the same time, the development of the economy has entered a completely new stage, primarily aimed at improving the living standards and quality of life of the population. All ongoing reforms in the economic sphere are ultimately based on the principle that "human interests and well-being are paramount." In this regard, first of all, special attention was paid to further strengthening macroeconomic stability in the country, pursuing a tight monetary policy, ensuring price stability in the national currency and the domestic market, fiscal reforms. It is worth noting that the country will receive a sovereign

credit rating in 2018, which will allow it to place sovereign international bonds in global financial markets.

It should also be taken into account that Eurobonds increase the external debt of the state, so it is necessary to apply all the principles of efficiency in the use of credit funds.

As promising areas of development, we see the use of market opportunities for short-term Eurobonds (medium-term Eurobonds, MTN), which can serve as an effective source of regulation of coupon payments.

In November 2020, the Ministry of Finance of the Republic of Uzbekistan issued 2 trillion soums in national currency. issued the first Eurobonds in the history of Central Asia in the amount of UZS (Table 2).

Table 2

Analysis of the circulation of sovereign Eurobonds of the Republic of Uzbekistan

Number of tranches		Issue volume (\$ million)	Coupon payments	Maturity date (year)
1 tranche	2019	500	4.75	5
2 tranches		500	5,375	10
1 tranche	2020	555	3.7	10
2 tranches		195	14.5	3

Analyzing Table 2, we can draw the following conclusions: The issuance of Eurobonds has allowed our country to regularly participate in the international debt capital market. The second issue of 10-year Eurobonds in Uzbekistan fell by 1.675%. This strategy has allowed us to keep in touch with investors on a regular basis and update the earnings curve.

The Ministry of Finance, as a sovereign, will issue Eurobonds in hard currency in three tranches for 5, 10 years, which today will allow it to build a curve for 3, 5, 8, 10 years. This allows foreign investors to have a better idea of the criteria for risk-free profitability under different conditions. Another advantage is that our country has managed to reduce currency risks. Most importantly, the Uzbek Ministry of Finance is doing what Central Finance has not done in Central Asia, issuing Eurobonds in local currency.

On the basis of the Resolution of the President of the Republic of Uzbekistan dated January 31, 2019 "On measures to organize the issuance of international bonds and maintain the sovereign credit rating of the Republic of Uzbekistan" approved an action plan to maintain the sovereign credit rating of the Republic of Uzbekistan until 2021.

According to the decision, in February 2019, for the first time in the history of Uzbekistan, Eurobonds were issued on the London Stock Exchange, one of the most prestigious exchanges in the world. At the same time, it placed 5-year \$ 500 million Eurobonds at 4.75% and 10-year \$ 500 million Eurobonds at 5.375%. Debt repayment periods are set for 2024 and 2029.

Initially, the coupon range was set at 5,625 to 5.75 percent and 6 percent, but due to high demand, Uzbekistan reconsidered interest rates and reduced them to 4.75 percent and 5,375 percent. About \$ 3.8 billion in bids were received from about 150 institutional investors

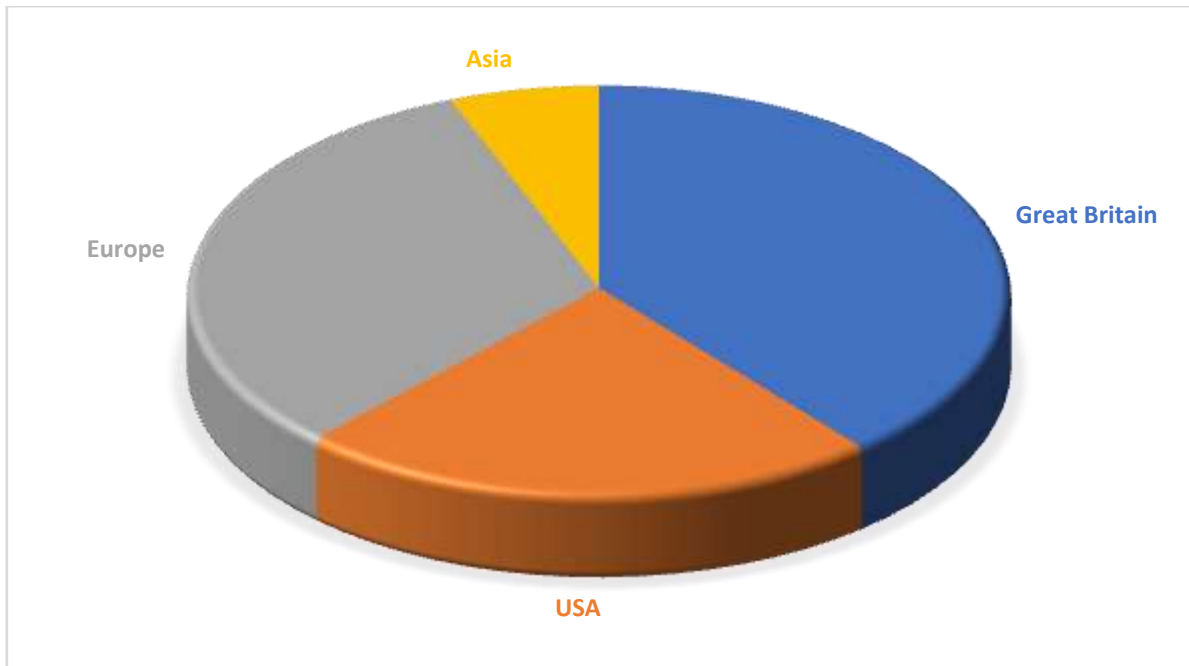


Figure 1. Geographical composition of investors who have invested in 5-year Eurobonds of Uzbekistan¹⁰.

In terms of states, the majority of 5-year and 10-year bonds purchased were purchased by British investors (39 per cent and 32 per cent, respectively), while American investors bought 23 and 31 per cent, respectively. European investors accounted for 32 percent and 27 percent, while investors from Asia, the Middle East and North Africa accounted for 6 and 10 percent, respectively.

The majority of Eurobonds - 75% and 78% - were purchased by management funds, 20% and 16% by insurance companies and pension funds, 5% and 6% by banks. The composition of investors in 5-year Eurobonds is geographically as follows (Figure 1).

Geographically, the UK bought 39% of five-year Eurobonds and 32% of ten-year Eurobonds, the US 23% and 31%, Continental Europe 32% and 37%, and the remaining 6% and 10% were received by Asian and Middle Eastern investors (Figure 2).

¹⁰Historical placement of Eurobond by Uzbekistan on the London Stock Exchange, 14.02.2019. <http://invest-in-uzbekistan.org/en/novosti-uzbekistana/istoricheskoe-razmeshhenie-uzbekistanom-evrobondov-na-londonskoj-birzhe/>

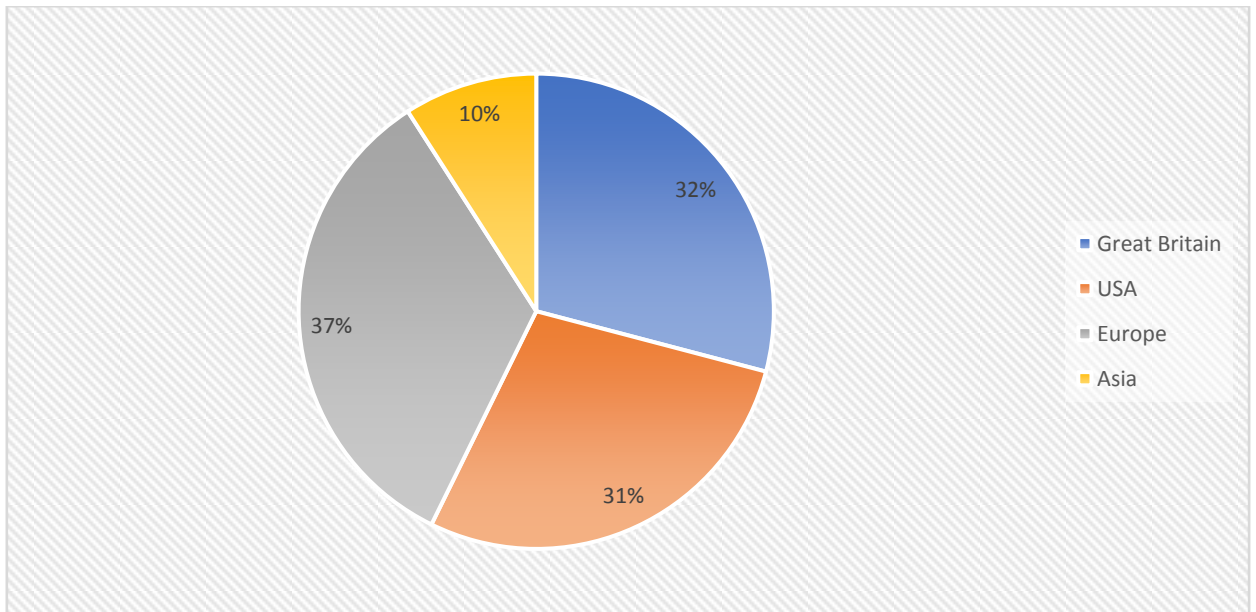


Figure 2 . Geographical composition of investors who have invested in 10-year Eurobonds of Uzbekistan ¹¹ .

For a total of \$ 1,000.0 million in international bonds placed, the annual interest expense for the first five years is \$ 56.63 million, and for the next five years, only 10-year international bonds are paid interest, amounting to \$ 26.88 million annually. . The total interest expense on these international bonds over 10 years is \$ 387.50 million

CONCLUSION

Ensuring economic development has created a demand for foreign capital, along with ensuring socio-economic development through the full transfer of domestic financial resources to the economy through the national financial market.

At present, the Ministry of Finance of the Republic of Uzbekistan is the authorized body for all operations to coordinate the issuance of sovereign debts, including corporate (bank) debt obligations.

In February 2019, the London Stock Exchange, one of the most prestigious stock exchanges in the world, for the first time in the history of Uzbekistan issued Eurobonds, ie Eurobonds. It is 5 years old 500 million dollars Eurobonds at 4.75 percent , to \$ 500 million over 10 years Eurobonds while 5,375 percent posted .

The successful placement of the sovereign bonds of the Republic of Uzbekistan in the amount of 1 billion US dollars in international capital markets has created new opportunities for commercial banks and enterprises in our country.

For the first time in the history of Uzbekistan, the successful placement of \$ 300 million corporate Eurobonds on the London Stock Exchange issued by Uzpromstroybank in November 2019 at a rate of 5.75% per annum for 5 years will serve as a benchmark for other commercial banks and enterprises.

According to the Resolution of the President of the Republic of Uzbekistan dated April 2, 2019 No PP-4258 "On the effective use of funds from the placement of the first

¹¹Historical placement of Eurobond by Uzbekistan on the London Stock Exchange, 14.02.2019. <http://invest-in-uzbekistan.org/en/novosti-uzbekistana/istoricheskoe-razmeshhenie-uzbekistanom-evrobondov-na-londonskoj-birzhe/>

sovereign international bonds of the Republic of Uzbekistan" The Ministry of Finance of the Republic of Uzbekistan will open a credit line as a subordinated loan to JSCB "Agrobank" in the amount of \$ 20 million, and the state enterprise "Navoi Mining and Metallurgical Combine" in the amount of \$ 89.9 million. as an exception, directed by the Ministry of Finance of the Republic of Uzbekistan as a budget loan in foreign currency.

Of the total \$ 999.1 million in deposits and loans disbursed to the Uzbek capital market, a total of \$ 428.1 million in interest and \$ 387.55 million in expenses over 10 years and \$ 5.4 million in the first five years, the next five 2.72 million per annum in annual interest income. Overall, the accumulated profit on international bonds placed for 5 and 10 years is growing steadily, reaching 40.6 million after 10 years USD.

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