Academicia Globe: Inderscience Research

ISSN: 2776-1010 Volume 3, Issue 6, June, 2022

THEORETICAL FOUNDATIONS OF FINANCING OF JOINT-STOCK COMPANIES THROUGH STOCKS

Kakhramon Chinkulov
Associate Professor, PhD. Tashkent Institute of Finance, Uzbekistan.
E-mail: kahramon114@yahoo.com

Abstract

The article was substantiated features of the activities of joint stock companies (JSCs), the theoretical and economic foundations of financing of JSCs through shares, based on the results of the study the author's definition was formulated for the concept of "financing of joint-stock companies through stocks", also developed scientific and practical conclusions and proposals.

Keywords: stocks, joint-stock company, IPO, SPO, primary and secondary market, equity financing, issue of shares, equity capital.

1. Introduction

Around the world, the mechanism of financing joint-stock companies with corporate securities, in particular, shares, is widely studied. Also, scientific research is carried out on raising funds for corporations through the issue of shares, in particular, attracting large investments through an initial public offering (IPO), the use of international investments through effective placement of shares on world stock markets, aspects aimed at the successful implementation of IPO operations, effective the use of borrowed funds, the formation of an optimal capital structure and the correct organization of the JSC dividend policy.

However, aspects aimed at attracting large investments in corporations through IPOs and SPOs, which are considered equity financing mechanisms, as well as the possibility of reducing the state share, have not found their scientific solution.

In our country, especially in recent years, special attention is paid to the development of JSC activities based on market mechanisms. However, such problems as a high state share in JSCs, a low level of liquidity in the share market, almost no shares in free float, and a low level of corporate governance negatively affect the financing of JSCs through corporate securities. “Today, there are 603 joint-stock companies in the country, of which 486 are owned by the state, with 52 trillion soums. The high level of state participation in the fuel and energy, petrochemical, chemical, transport and banking sectors impedes their development based on market mechanisms and attracting investment” [1]. Therefore, it is extremely important to comprehensively study the attraction of investments through corporate securities of JSCs, in particular, stocks and use the best international experience in this area, analyze the real situation and make proposals for eliminating problems, which in turn determines the relevance of the topic of this article.

2. Literature Review

According to foreign economists-scientists N.V.Burkov and M.Yu.Makovetskiy: "Today JSCs are rightfully included in a number of one of the most important institutions of the market economy" [2].
According to L. Besnik, "Corporations are the backbone of the economy as a whole, they are a key source of jobs and certainly the largest taxpayer of an economy" [3].
F. Khamidova describes the form of shareholding as "... the root of the real sector of the national economy" [4].
According to A. Grechenyuk, "Shareholders' equity is mandatory source of funding for any company" [5].
According to M.Yu. Makovetskiy, shares play an important role in financing joint-stock companies: "In modern conditions, joint-stock companies are rightfully among the most significant institutions of the market economy, the very form of organization of which allows them to finance economic (including investment) activities for account of the issue of securities, in particular - shares" [6].
Although some of the aspects related to the activities of joint-stock companies and the corporate securities market were studied in the studies of the aforementioned scientists, namely, the issue of financing joint-stock companies through shares was not considered as a separate object of research. This situation also indicates the relevance of the selected topic of this article.

3. Research Methodology

In order to develop scientific proposals and practical recommendations for the activities of joint-stock companies and improve their financing, the article used methods such as generalization, grouping, systematic approach, analysis and synthesis, comparison.

4. Analysis and Discussion of Results

In order to develop scientific proposals and practical recommendations for the activities of joint-stock companies and improve their financing, the article used methods such as generalization, grouping, systematic approach, analysis and synthesis, comparison.
As a commercial organization, JSC has a number of priorities, as well as many disadvantages. The main ones can be briefly considered according to the data in Fig.1.
According to the author, the profit and advantages of joint-stock companies for the country's economy exceed the disadvantages several times.
Corporate securities include stocks and corporate bonds. Many economists, in particular E.F. Zhukov, agree with this opinion and believe that: "Corporate securities (shares and bonds) are issued by JSCs, according to the procedure of corporations, companies and enterprises (legal entities)" [7].
According to A. Misharev: "Shares are considered to be the main type of securities on the stock market. JSC forms and increases its authorized capital by issuing them. Shares, in fact, are considered evidence of joint management of private assets of JSCs" [8].
Based on the subject of the topic of the article, we must formulate the author's approach to determining the financing of joint-stock companies through shares. For this, it is necessary to understand the

Academicia Globe: Inderscience Research
ISSN: 2776-1010 Volume 3, Issue 6, June, 2022

expressed economic meaning and content of the phrases "joint stock companies" - "financing joint stock companies" - "financing joint stock companies through shares".

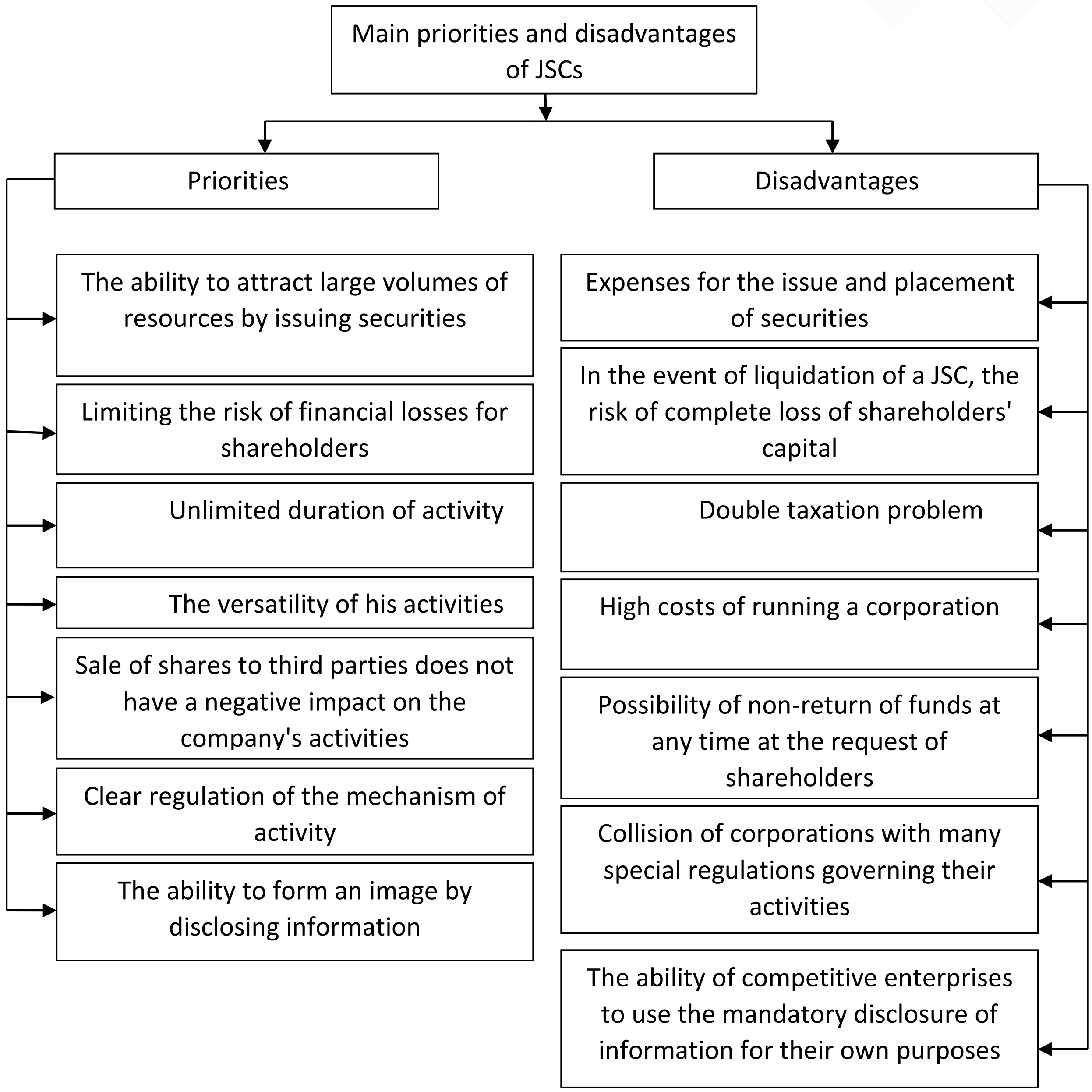

Fig. 1. The main priorities and disadvantages of enterprises in the form of JSCs, from the point of view of organizational and legal aspects

Academicia Globe:
Inderscience Research

ISSN: 2776-1010 Volume 3, Issue 6, June, 2022

To understand this definition, we can refer to theoretical literature, economic dictionaries and practice. Based on all this, the author has developed a mechanism that describes the forms of financing JSCs through shares, depending on the goals and sources of financing (see Fig. 2).

When the initial financing of a JSC is mentioned, financial relations related to the formation of the initial authorized capital of the company are envisaged. In this case, the source of funding is the funds of the founders.

An initial public offering (IPO) is an offering of shares by a joint stock company (the initiator of the IPO) with an unlimited number of investors on the stock exchange. In this case, the source of funding will be the funds of the wider community of shareholders.

Secondary financing at the expense of the capitalized profit of a joint-stock company is understood as financing of a joint-stock company by reinvesting net profit.

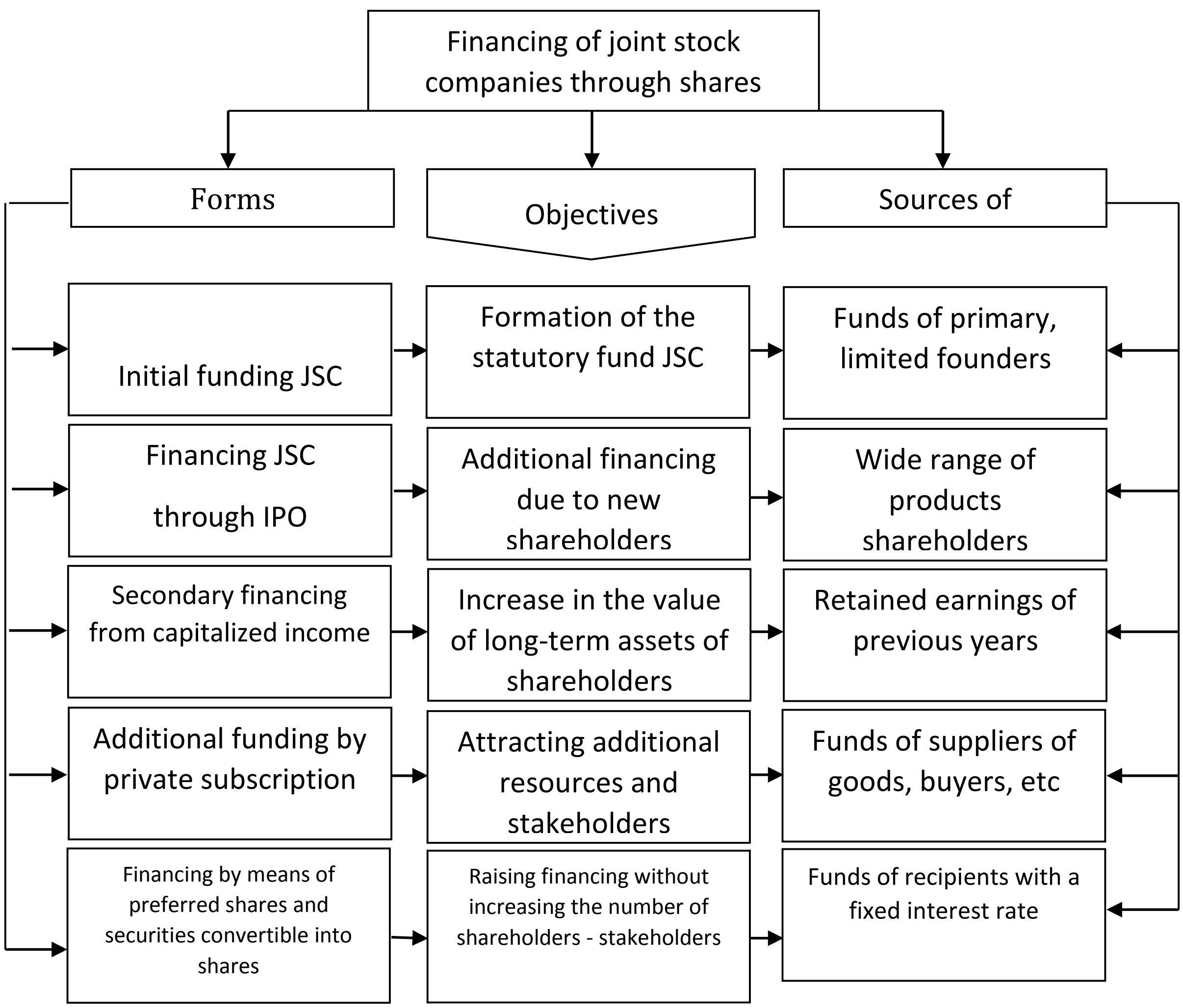

Fig. 2. Description of the forms of financing JSCs through shares, depending on the goals and sources of funding

ISSN: 2776-1010 Volume 3, Issue 6, June, 2022

The purpose of additional financing of JSCs by private subscription is to attract additional resources and stakeholders, while additional funds are attracted from suppliers of goods, buyers, etc., on the basis of a private subscription.

When financing JSCs by means of preferred shares and securities convertible into shares, financing is carried out without increasing the number of stakeholder shareholders. In this regard, the funds of the recipients with a fixed interest rate are considered the source of financing.

Based on the above analysis, the author formulated the author's definition as follows: financing of JSCs through shares - preliminary financing of JSCs, financing through an IPO, secondary financing from capitalized income, additional financing by private subscription, as well as financing through preferred shares and securities, convertible in stock [9].

Investment activities should be encouraged through the development of public-private partnerships and project financing instruments to increase investment attractiveness and ensure the rapid growth of infrastructure investment, which is one of the key factors for sustainable economic growth [10].

The description of JSC financing by the author is shown in Figure 2, based on the JSC strategic goals and funding sources. With the help of the data in this figure, a definition was given not only to the concept of "financing of joint-stock companies through shares", but also a description of this financing was given.

5. Conclusions and Suggestions

As a result of the research carried out, the following conclusions and proposals were formulated:

1. Despite some shortcomings of enterprises in the form of joint-stock companies, they also have many priorities. Also, these enterprises have an organizational and legal form that has been gaining and improving for centuries, making a huge contribution to the country's gross domestic product. In particular, the role of joint stock companies (corporations) in the global industry is incomparable.
2. Stocks are considered to be the main type of securities on the stock market. JSC forms and increases its authorized capital by issuing them.
3. Based on the results of the study, the following author's definition was formulated for the concept of "financing joint-stock companies through shares": financing of joint-stock companies through shares - preliminary financing of joint-stock companies, financing through an IPO, secondary financing from capitalized income, additional financing based on private subscription and also, by providing financing through preferred shares and securities convertible into shares.

References

1. Appeal to the Oliy Majlis of the President of the Republic of Uzbekistan Shavkat Mirziyoyev. Tashkent, 28.12.2018.
2. Burkova N.V., Makovetskiy M.Yu. Microeconomics. Resource markets, general equilibrium and market imperfections. Textbook / Omsk, 2010. - P.152.

ISSN: 2776-1010 Volume 3, Issue 6, June, 2022

3. Besnik Livoreka and others. Theories on Dividend Policy Empirical Research in Joint Stock Companies in Kosovo // Procedia Economics and Finance 14 (2014) 387-396, p.387. https://www.sciencedirect.com/science/article/pii/S2212567114007278.
4. Khamidova FA. Analysis and ways of attracting portfolio investments in privatized enterprises. Diss. ... Ph.D., –T., 2008. –P.3.
5. Grechenyuk Antona and others. Peculiarities of formation shareholders' equity and liabilities of Russian joint stock companies // Procedia Economics and Finance 39 (2016) 165-175, p.165. https://www.sciencedirect.com/science/article/pii/S2212567116302696.
6. Makovetskiy M.Yu. Equity financing as a mechanism for attracting investments by corporations // Actual problems of the humanities and natural sciences. 2014. No. 8-2. P. 57.
7. The securities market: A textbook for university students / Ed. E.F. Zhukova. –2-ed., - M .: UNITI-DANA, 2007. –463 p., P.18.
8. Misharev A.A. Stocks and bods market. - SPb .: Peter, 2007. –256 p. - P. 127.
9. Chinkulov, Kakhramon. "Functions of joint stock companies in the economy and improvement of their financing". // Journal of Innovations in Economy. 2021. Vol. 4, issue 8. pp.26-34 https://www.tadqiqot.uz/index.php/economy/article/view/2849/2692
10. Shakabilovich S. S., Bakhtiyorovich O. B. Theoretical Fundamentals of Improving the Investment Environment Attractive in Reducing Investment Risks //Texas Journal of Multidisciplinary Studies. – 2022. – T. 6. – C. 67-72.