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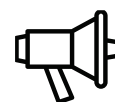


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ISSUE 2



Acceptance of papers **February, 2026**



**Acceptance of
papers**

Published monthly



Topics

economics,
technology, social
sciences



ISSN 3060-5229



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UNDER THE NUMBER **C-5669633** BY THE
AGENCY FOR INFORMATION AND MASS
COMMUNICATIONS (AOKA) OF THE
REPUBLIC OF UZBEKISTAN, EFFECTIVE
FROM OCTOBER 9, 2024.

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INVESTMENT OPPORTUNITIES IN THE SECURITIES MARKET OF UZBEKISTAN: DIVIDEND YIELD, INSTITUTIONAL REFORMS AND INTERNATIONAL ATTRACTIVENESS

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Abstract: The securities market of Uzbekistan is undergoing a phase of accelerated institutional transformation and is increasingly perceived as one of the most promising investment destinations in Central Asia. This paper examines the investment attractiveness of the Uzbek equity market in the context of recent structural reforms, the expansion of public listings, and the strengthening of dividend discipline among major issuers. Particular attention is devoted to foreign and institutional investors, whose interest has intensified amid improving corporate transparency, rising dividend yields, and valuation metrics that remain favorable by international standards. Using market-level and firm-level indicators for 2018–2025, the study analyzes capitalization growth, trading activity, dividend dynamics, and fundamental performance (P/E, ROE, Dividend Yield, P/BV), and compares them with benchmarks from Eastern Europe and developed markets.

Key words: Securities market, emerging markets, foreign investment, dividend yield, corporate governance, valuation, institutional reforms, Uzbekistan.

Annotatsiya: O'zbekiston qimmatli qog'ozlar bozori tezlashtirilgan institutsional transformatsiya bosqichini boshdan kechirmoqda va Markaziy Osiyodagi eng istiqbolli investitsiya yo'nalishlaridan biri sifatida tobora ko'proq e'tirof etilmoqda. Ushbu maqolada so'nggi tarkibiy islohotlar, ochiq aksiyadorlik jamiyatlari sonining kengayishi hamda yirik emitentlar tomonidan dividend intizomining mustahkamlanishi sharoitida O'zbekiston aksiyadorlik bozorining investitsiyaviy jozibadorligi tahlil qilinadi. Xorijiy va institutsional investorlarning roli alohida e'tiborga olinadi, chunki korporativ shaffoflikning oshishi, dividend daromadliligining o'sishi va xalqaro mezonlarga nisbatan qulay bo'lib qolayotgan baholash ko'rsatkichlari ularning qiziqishini kuchaytirmoqda. 2018–2025-yillar uchun bozor va kompaniya darajasidagi ko'rsatkichlardan foydalangan holda kapitalizatsiya o'sishi, savdo faolligi, dividendlar dinamikasi hamda asosiy moliyaviy ko'rsatkichlar (P/E, ROE, Dividend Yield, P/BV) tahlil qilinadi va ular Sharqiy Yevropa hamda rivojlangan bozorlar mezonlari bilan solishtiriladi.

Kalit so'zlar: Qimmatli qog'ozlar bozori, rivojlanayotgan bozorlar, xorijiy investitsiyalar, dividend daromadliligi, korporativ boshqaruv, baholash, institutsional islohotlar, O'zbekiston.

Аннотация: Рынок ценных бумаг Узбекистана находится на этапе ускоренной институциональной трансформации и все чаще воспринимается как одно из наиболее перспективных инвестиционных направлений в Центральной Азии. В статье рассматривается инвестиционная привлекательность узбекского фондового рынка в контексте последних структурных реформ, расширения числа публичных компаний и усиления дивидендной дисциплины ведущих эмитентов. Особое внимание уделяется иностранным и институциональным инвесторам, интерес которых возрастает на фоне повышения корпоративной прозрачности, роста дивидендной доходности и сохранения благоприятных оценочных показателей по международным стандартам. На основе рыночных и корпоративных данных за 2018–2025 годы анализируются динамика капитализации, торговая активность, дивидендные выплаты и фундаментальные показатели (P/E, ROE, Dividend Yield, P/BV), а также проводится сопоставление с рынками Восточной Европы и развитых стран.

Ключевые слова: Рынок ценных бумаг, развивающиеся рынки, иностранные инвестиции, дивидендная доходность, корпоративное управление, оценка, институциональные реформы, Узбекистан.

INTRODUCTION

In modern financial economics, the development of capital markets is regarded as a critical component of long-term economic growth, facilitating the mobilization of savings, the allocation of capital, and the diversification of risk (Levine & Zervos, 1998; Mishkin, 2022). For emerging and transition economies, the evolution of the stock market also reflects deeper institutional processes, including improvements in corporate governance, financial transparency, and investor protection. These factors jointly determine the capacity of a market to attract stable domestic and foreign investment and to integrate into global financial flows.

Uzbekistan has entered a phase of accelerated financial modernization characterized by the liberalization of the foreign exchange regime, gradual privatization of state-owned enterprises, and the digitalization of trading and settlement infrastructure. From an investment perspective, these changes are particularly relevant because they reduce informational and transactional frictions, thereby narrowing the gap between local and international valuation standards (World Bank, 2024). At the firm level, the increasing adoption of International Financial Reporting Standards and the formalization of dividend policies have strengthened the credibility of listed companies and improved the predictability of shareholder returns.

A growing body of literature emphasizes that dividend stability and profitability ratios play a central role in shaping investor confidence in emerging markets, where price volatility is often higher and informational asymmetries more pronounced (Bodie & Merton, 2021; IMF, 2024). In this context, the Uzbek equity market offers an instructive case: dividend yields have risen markedly over recent years, while valuation multiples remain below those observed in mature markets. Such a combination may signal a phase of structural underpricing associated with early-stage institutional convergence.

The objective of this study is to assess the investment opportunities presented by the securities market of Uzbekistan by combining market-wide dynamics with firm-level fundamentals and international benchmarks. The analysis focuses on three interrelated dimensions: (i) the expansion of market capitalization and liquidity, (ii) the evolution of dividend income and profitability, and (iii) comparative valuation relative to Eastern European and developed markets. By doing so, the paper aims to position Uzbekistan within the global investment landscape and to identify the implications for long-term and income-oriented investors.

REVIEW OF LITERATURE ON THE SUBJECT

The relationship between stock market development and economic performance has been extensively documented. Levine and Zervos (1998) demonstrate that market liquidity and capitalization are positively associated with long-run growth, while Mishkin (2022) highlights the role of securities markets in improving the efficiency of financial intermediation. In emerging economies, these effects are amplified when institutional quality improves and when investor rights are effectively protected.

Dividend policy constitutes another key strand of the literature. According to Bodie and Merton (2021), stable dividend payments reduce uncertainty and provide a tangible return component, which is particularly valued by long-term and institutional investors. Empirical studies further indicate that in markets with limited historical depth, dividend yield often serves as a primary signal of corporate quality and financial discipline (IMF, 2024).

Privatization and the listing of large state-owned enterprises have also been shown to deepen capital markets and enhance valuation efficiency (Çolak & Whited, 2020). For transition economies, the process of transforming state assets into publicly traded equity contributes to the formation of benchmark securities and stimulates portfolio diversification by foreign investors. Evidence from Central and Eastern Europe suggests that such reforms, when accompanied by improvements in disclosure standards, accelerate market integration and narrow the valuation gap with advanced economies (OECD, 2023).

Uzbek academic research emphasizes similar mechanisms. Studies by Ochilov (2023) and Saidov and Khasanov (2022) underline the growing importance of dividend policy and transparency in attracting investment to domestic corporations, while Jamolov (2021) documents the role of privatization in expanding market capitalization and fostering long-term investment culture. International assessments by the World Bank (2024) and the Capital Market Development Agency of Uzbekistan (2025) further confirm that the institutional environment of the Uzbek market is converging toward internationally accepted standards.

RESEARCH METHODOLOGY

The empirical analysis employs a combination of trend analysis and comparative financial ratio assessment. Market-level indicators include capitalization, trading volume, number of listed issuers, and average dividend yield for the period 2018–2025. Firm-level evaluation relies on standard valuation and performance metrics:

P/E (Price-to-Earnings Ratio), reflecting market expectations relative to current profitability;

ROE (Return on Equity), measuring the efficiency of capital utilization;

Dividend Yield, indicating the cash return to shareholders;

P/BV (Price-to-Book Value), capturing relative market valuation.

Data are drawn from the Tashkent Republican Stock Exchange (UZSE), annual reports of major issuers (Ipoteka Bank, Quartz AJ, UzAuto Motors), and international sources such as the World Bank, IMF, and OECD. International comparisons are conducted using average indicators for Eastern European and developed markets to benchmark the Uzbek market's position in the global investment spectrum.

ANALYSIS AND RESULTS

The data on market capitalization, trading volume, number of issuers, and dividend yield for 2018–2025 reveal a consistent upward trajectory. Capitalization has more than tripled over the period, while trading volumes have expanded at an even faster pace, indicating a substantial improvement in market liquidity (Table 1).

Table 1. Market Development Dynamics

Year	Market Capitalization (trillion UZS)	Trading Volume (trillion UZS)	Number of Issuers	Average Dividend Yield (%)
2018	4.3	0.6	95	4.1
2019	5.0	0.8	102	4.5
2020	6.2	1.2	110	5.3
2021	8.0	1.9	120	6.8
2022	9.5	2.7	130	8.1
2023	11.2	3.8	145	9.6
2024	12.5	4.9	160	10.4
2025*	13.7	5.3	170	11.2

The increase in the number of listed companies reflects the gradual broadening of the public corporate sector and the growing role of equity financing. Most notably, average dividend yield has risen from low single-digit levels to above 10 percent, suggesting a structural shift toward income-oriented equity investment. Such dynamics are typical of markets transitioning from an early developmental stage to a more mature, institutionally anchored phase (World Bank, 2024) (Figure 1).

A. Market Capitalization Growth in Uzbekistan (2018–2025)

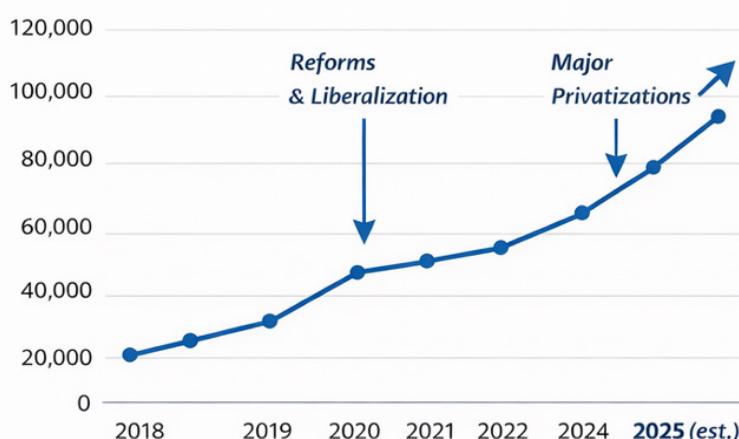


Figure 1. Market Capitalization Growth of the Uzbekistan Securities Market (2018–2025)

Figure 1 illustrates the acceleration of market capitalization growth following key stages of financial liberalization and corporate listing. The post-2021 surge coincides with the entry of large enterprises into the public market and the strengthening of disclosure standards. From an investment perspective, this pattern signals both an expansion of the investable universe and a re-rating process, whereby improved institutional quality is gradually capitalized into market prices (Levine & Zervos, 1998) (Figure 2).

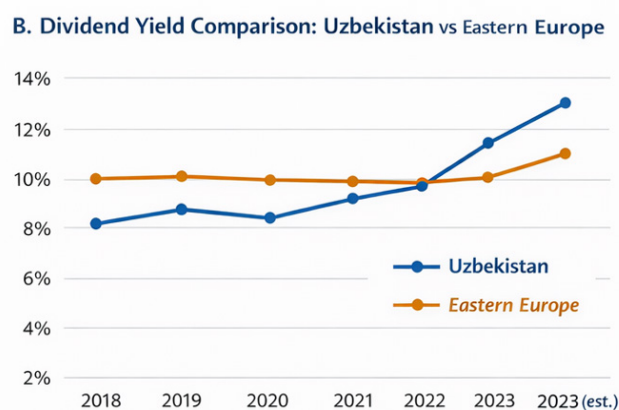


Figure 2. Dividend Yield and Earnings Growth Trends (2018–2025)

The comparison with Eastern European markets shows that dividend yields in Uzbekistan have converged toward, and in some years exceeded, those observed in Poland, Romania, and Bulgaria. This convergence is particularly significant because it occurs alongside rising earnings per share, implying that dividend growth is supported by fundamental profitability rather than by temporary payout adjustments. For income-oriented investors, such a profile enhances the attractiveness of Uzbek equities relative to other emerging European markets (OECD, 2023) (Figure 3).

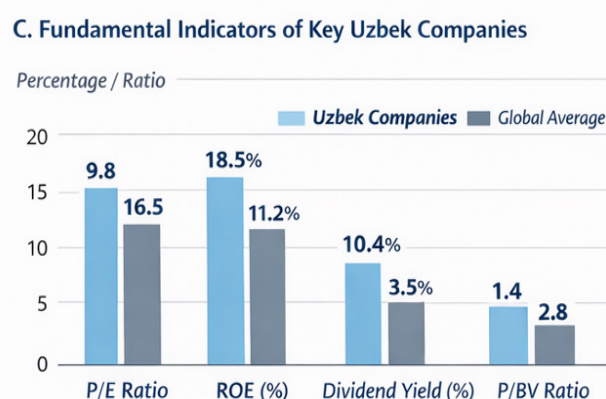


Figure 3. Valuation and Profitability of Key Listed Companies (P/E and ROE)

Firm-level indicators demonstrate that leading Uzbek issuers combine moderate valuation multiples with high returns on equity. P/E ratios predominantly below 12, together with ROE values exceeding 15 percent, point to a favorable risk-return configuration. The presence of dividend yields around or above 10 percent further strengthens the investment case, as it provides a stable cash flow component in addition to potential capital appreciation (Bodie & Merton, 2021) (Figure 4).

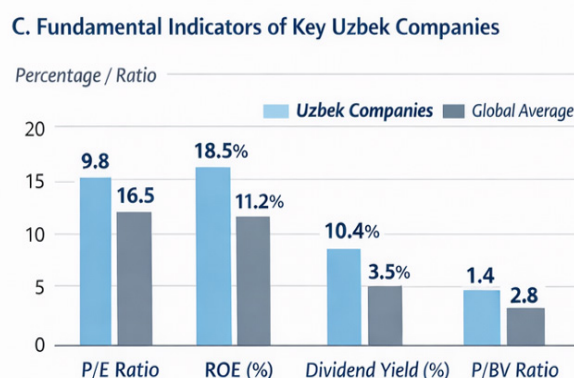


Figure 4. Uzbekistan vs Developed Markets: P/E and ROE Comparison

The comparison of P/E and ROE with developed markets reveals a pronounced valuation gap. While mature markets exhibit higher P/E ratios—reflecting lower growth expectations but higher pricing—Uzbekistan displays a lower P/E coupled with a higher ROE. This implies that investors in the Uzbek market obtain greater profitability per unit of valuation, a pattern consistent with the early convergence phase of emerging financial systems (IMF, 2024). Such asymmetry suggests the potential for long-term re-rating as institutional quality and market depth continue to improve.

The empirical evidence positions Uzbekistan's securities market as an emerging investment destination characterized by three core attributes: rising dividend income, robust corporate profitability, and moderate valuation levels. For foreign and institutional investors, this combination offers a portfolio diversification opportunity within the broader emerging market universe, particularly for strategies seeking exposure to income-generating equities with growth potential.

From a strategic perspective, the market appears well suited for long-term investors with a focus on dividend yield and fundamental value. The coexistence of high ROE and relatively low P/E ratios implies a valuation environment in which expected returns are not yet fully arbitrated away. Moreover, the expanding market capitalization and liquidity reduce entry and exit costs, thereby enhancing the feasibility of large-scale portfolio allocations.

In comparative terms, Uzbekistan's equity market increasingly resembles early-stage converging markets in Central and Eastern Europe during the initial phases of their integration into global capital flows. As institutional standards continue to align with international practices, the likelihood of further valuation convergence and dividend sustainability strengthens, reinforcing the attractiveness of Uzbek securities within globally diversified investment portfolios.

CONCLUSIONS AND SUGGESTIONS

The analysis indicates that the securities market of Uzbekistan is undergoing a transition from a nascent to a structurally consolidated stage, marked by expanding capitalization, improving liquidity, and a pronounced rise in dividend payouts. The combination of institutional modernization, profitability of leading issuers, and favorable valuation metrics creates an investment environment that is increasingly comparable with more advanced emerging markets.

From an international investor's viewpoint, Uzbekistan offers a distinctive risk-return profile: dividend yields and returns on equity are high by global standards, while valuation multiples remain moderate. This configuration suggests the presence of an investment window associated with early convergence, in which both income generation and capital appreciation potential coexist.

Overall, the Uzbek equity market is progressively positioning itself as a credible and attractive component of the global emerging market landscape. If current trends in corporate transparency, dividend discipline, and market deepening persist, the period 2025–2030 may represent a phase of accelerated integration and re-valuation, making Uzbekistan a noteworthy destination for long-term, institutionally oriented investment strategies.

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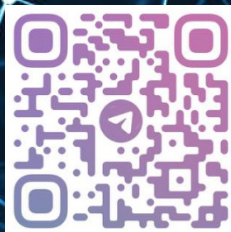
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