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Changing the Structure of the Economy and the Role of Holding Companies in Uzbekistan

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Abstract: Focusing on their influence on the growth of the national economy, the paper explores the crucial role holding firms play in Uzbekistan's changing economy. There's a knowledge vacuum regarding the financial and strategic roles these firms play, despite their increasing importance. This study examines the composition, activities, and financial contributions of holding companies using qualitative and quantitative research methods, which will be carried out between 2018 and 2023. As the results show a significant rise in these organizations, their significance in promoting economic integration and growth is highlighted. The results of the study indicate that in order to fully realize their potential in the context of Uzbekistan's economy, customized financial policies and management techniques are crucial.

Keywords: Holding Companies, Economic Development, Investment, Joint Ventures, Economic Integration, Strategic Management

1. Introduction

Holding businesses are turning progressively substantial and influential in Uzbekistan's developing economy. The need to create frameworks to speed up market evolution and efficiently govern commercial activities is an urgent priority. Holding firms operate as means for building national and global economic integration, rather than just as significant corporations. This article examines the various kinds of holding firms, their impacts on the national economy, and their management practices.

Efforts are being made to increase the number of enterprises and organizations formed in collaboration with foreign companies with the objective to further develop market transformation processes, manage enterprises and organizations, promote economic integration in various sectors of the republic's economy, and boost investment activities.

Literature Review

A holding business is an association that owns shares in several other companies and supervises or sets strategic directions regarding them. Holding businesses arise for a number of objectives and can take different forms.

In the "Principles of Corporate Finance" journal, Richard A. Brealey, Stewart C. Myers, and Franklin Allen characterize an operational holding company as follows: "This type of holding company engages in economic activity with the primary goal of managing and

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exercising strategic control over its subsidiaries. These companies typically develop active revenue while they directly manage their business." [1].

An investment holding company purchases and retains shares in other companies in the hopes of generating long-term capital growth or dividend income. They are often focused on managing financial investments, as defined by Aswath Damodaran in "Investment Valuation: Tools and Techniques for Determining the Value of Any Asset" [2].

In their written work "Real Estate Investment: A Strategic Approach," David M. Gelter, Norman G. Miller, Jim Clayton, and Piet Eichholtz explain an investment holding company as a legal entity that owns and manages real estate. They may be motivated to generate cash by leasing or selling commercial properties [3].

In "Corporate Strategy: Tools for Analysis and Decision-Making," Phanish Puranam and Bart Vanneste constitute a structural holding company as a holding company that constructs enormous corporate structures and modulates numerous business divisions, as is typical of conglomerates [4].

A strategic holding company determines and coordinates the overall course of action through the management of its subsidiaries. These corporations frequently aim to synergistically integrate their subsidiary companies [5].

A special purpose holding company emerges for pursuing specific objectives, such as financial restructuring or project implementation. Keith Cuthbertson and Dirk Nitzsche characterize them as transient and focused on a specific endeavor in "Financial Engineering: Derivatives and Risk Management" [6].

A multinational holding company operates on a global scale and conserves companies in several countries. They often supervise global investments and operations, as described in "International Business: Competing in the Global Marketplace" by Charles W. L. Hill and G. Tomas M. Hult [7].

Holding businesses control or investigate strategic directions for the shares of other companies. They vary between operational, investment, property, structural, strategic, special-purpose, or multinational holding companies. Their principal objectives are to coordinate subsidiaries, handle investments, to attain strategic goals.

2. Materials and Methods

This current investigation has used both qualitative and quantitative research modes to analyse the complex processes of holding companies in the evolving economy of Uzbekistan. The study was done from 2018 to 2023 with special focus on years of more economic activities and institutional developments. The research addressed the following fundamental techniques such as: The research addressed the following fundamental techniques such as:

- This formed the backdrop of the research so as to provide a proper evaluation of holding corporations in various economic roles. It allowed for elaborating the list of holding firms and the distribution of the information about them so that the overall approach to studying their actions and impact became more systematic.
- Examples of various genres of holding corporations have been excluded for coverage purposes, thus offering insight into how they strategise their actions, reveal their governance and donation to the economic unity. This technique enable a broader exploration of holding companies where magnificent ways whereby these firms influenced the economic welfare was realized.
- When working with data obtained from Uzbekistan's legally binding economic databases, it was possible to conduct an explained statistical examination. As such,

the analysis focused on the holding corporations; the numbers this rose from 6,127 in 2018 to reach a height of 15,801 in 2022 before slightly dropping to 14,053 in 2023. This kind of statistical study was relevant to identifying the patterns and pattern that prevailed in the expansion of the holding corporations and their effects on the economy.

- Mathematical reasoning has been used is establishing relations between such observable characteristics as holding firms and the theoretical frameworks that govern them. By means of this method, ideas regarding the future evolution of the holding corporations in light of the economic policies of Uzbekistan were identified.
- In the research, there were cases such as dissecting economic information into more soluble pieces (analysis) then combining them to make wholes (synthesis). This method was especially convenient in studying the rather diverse functions of holding companies performed in various sectors of the economy.

What had been researched and where now?

The research identified the purpose, strategic and financial performance of holding corporations functioning in several industries of Uzbekistan. The research involved the evaluation of primary quantities of economic activity such as manufacture, finance, and real estate with emphasis on the way these organizations contribute to the national economy and interact with local and international companies. In order to determine the relevance of the study and the actualization of findings there have been direct surveys, interviewing major stakeholders, and crucial archival research available in the world today to warrant the fact that the study reaps facts and figures based on the existing actual practices and current trends.

In a nutshell, it is possible to state that the approach of the given research not only described the methodology to analyze holding corporations, but also deployed the practical information about the shift of their role in the economy of Uzbekistan and the outlook for the future economic policies.

3. Results

Table 1. The number of holding companies established in Uzbekistan from 2018 to 2023

Indicators	2018	2019	2020	2021	2022	2023
Total number of enterprises	285531	323517	398133	475197	528929	592371
Number of new enterprises	55011	96743	95311	102804	93611	88787
Number of holding companies	6127	11500	12131	13289	15801	14053
Joint ventures	3374	6,746	5916	5988	6419	4657
Foreign enterprises	2753	5,137	6215	7 301	9382	9396

4. Discussion

The information presented in this figures shows the trend of firms in Uzbekistan from 2018/2019 to 2023 which gives a solid base for proving the economic activities as well the development in the entrepreneurial environment. The number of businesses that are there in the economy has been rising tremendously from one year to the other denoting higher economic activities.

As of 2018, the total number of companies amounted to 285,531. Five years later it had increased nearly doubled to five hundred ninety two thousand three hundred and seventy one. Nevertheless, the growth rate of test takers has been fairly good after the year 2019.

There are trends indicated by the number of new enterprises registered, which peaks in the year 2019 with 96743 new enterprises and declining progressively in the succeeding years. Statistical changes mean that certain government measures stipulating new businesses have paid off. This is rather complex, let alone the fact that it is possible to name several factors that may lead to stabilizing the Economic growth, or, conversely, to the decline in new enterprises after 2020.

But it has been on the rise over the years; however, it slightly declined in 2023. This general trend expresses a rich or high number of big firms or conglomerates as well as the growing desire for capital adequacy in today's business environment. Nevertheless, in 2019, the number of joint ventures rose sharply given the interest in the international collaboration on joint ventures. The subsequent decline could be due to various causal factors such as shift in the global environment for investment. The trend of foreign undertakings has shot up between 2018 and 2022, which points towards stepped increase in the FDI in to Uzbekistan's economy. By 2023, this figure has slightly moved up, staying rather close to the figure observed in 2003 meaning that the investment climate remained stable and international investors continued placing their confidence.

Altogether these figures appear to depict the rather low and rather non-dramatic escalation and diversification of the Uzbekistan's economy that has entailed over the recent years. These shifts may refer to the scale in the world economy on the one hand, may be seen as the reaction to the general tendencies of the state on the other. These indices report the following: It is necessary to make further adjustments in general in order to stabilize the rates of development of the economy and people's desire for innovation in the sphere of business.

5. Conclusion

Therefore, one can say that the play of holding companies in the creation and development of the economy of Uzbekistan determines it. accenting thus an important role for them to bring into coordination a vast acquisition of financial means, investments and the putting into effect of economic policies. The following recommendations are made to support the development of holding companies in the country: The first one is the existence of the policy in the financial and tax preferences for holding companies; the second one is the requirement of the stimulation of the development of joint ventures with the aim of foreign investments and development of the international collaboration; the third one is the need for the development of the strategies of management of the holding companies for the maintenance of their stability and the increase of their efficiency. These steps are aimed at the further qualitative diversification and further gradual development of the economy of Uzbekistan.

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