
COMPARATIVE ANALYSIS OF IPO PROCESSES IN EMERGING MARKETS

Boev Bekzodjon Jurakul ugli
Associate Professor of the Department of
Corporative Finance and Securities, TSUE
E-mail: bekozdbojev7070@gmail.com
ORCID: 0000-0003-0069-8739

Abstract

The article is devoted to a comparative analysis of the theoretical and practical aspects of the processes of initial public offering (IPO) in emerging markets. The study revealed the differences in the mechanisms of IPOs of developed and developing countries in terms of the institutional environment, legal regulation, information transparency, corporate governance, and investor behavior. Based on a comparative analysis, the main factors limiting the effectiveness of IPOs in emerging markets are substantiated, including underpricing, insufficient investor confidence, and weak regulatory mechanisms. The research results will serve to develop scientific conclusions and practical proposals aimed at forming a national IPO model in developing countries, deepening capital markets, and improving the investment climate.

Keywords: IPO; primary placement of shares; emerging markets; comparative analysis; capital market; investments; underpricing; corporate governance; institutional environment; investor confidence.

Аннотация:

Статья посвящена сравнительному анализу теоретических и практических аспектов процессов первичного размещения акций (IPO) на развивающихся рынках. В исследовании выявлены различия в механизмах IPO развитых и развивающихся стран с точки зрения институциональной среды, правового регулирования, прозрачности информации, корпоративного управления и поведения инвесторов. На основе сравнительного анализа обоснованы основные факторы, ограничивающие эффективность IPO на развивающихся рынках, в том числе низкая оценка акций (underpricing), недостаточное формирование доверия инвесторов и слабость регуляторных механизмов. Результаты исследования служат для разработки научных выводов и практических предложений, направленных на формирование национальной модели IPO в развивающихся странах, углубление рынков капитала и улучшение инвестиционного климата.

Ключевые слова: IPO; первичное размещение акций; развивающиеся рынки; сравнительный анализ; рынок капитала; инвестиции; underpricing; корпоративное управление; институциональная среда; доверие инвесторов.



Introduction

At a time when developing markets occupy an increasingly important place in the world economy, the study of the processes of initial mass supply in these countries is of particular importance. In particular, for countries like Uzbekistan, which are actively implementing reforms to develop their own capital markets, it is necessary to conduct a thorough analysis of the experience of other developing markets. Initial public offering processes not only provide companies with the opportunity to attract capital, but are also an important indicator reflecting the effectiveness of the entire economic system, the level of transparency, and the quality of the investment climate. Therefore, a comparative analysis of the initial mass supply processes in various developing markets - countries of Asia, Latin America, Eastern Europe, and Africa - today is a necessary basis not only for academic research, but also for the development of practical policy.

The relevance of the comparative analysis of initial mass supply processes in emerging markets is primarily due to the growing share of these markets in global capital flows. In recent years, countries such as China, India, Brazil, and Turkey have shown significant growth in the activity of the initial public offering, and in this process, national regulatory frameworks, institutions, and market infrastructure have also developed. In some periods, the volume of the initial public offering in emerging markets exceeded the indicators of developed markets, which attracted the attention of investors, regulatory bodies, and researchers to these markets. Through comparative analysis, it will be possible to identify the specific features, advantages, and disadvantages of each market, disseminate best practices, and avoid mistakes, which will serve as an important guide in developing a capital market development strategy.

Comparative analysis of initial public supply processes is especially relevant from the point of view of assessing the effectiveness of regulatory systems. The regulatory environment in emerging markets is very diverse: some countries have implemented strict control mechanisms, while others use a liberalized regulatory system. For example, in the Chinese market, the initial public offering process is carried out under state control and can take a very long time, while in India, the regulatory body for securities and exchanges has implemented a relatively flexible but strict disclosure requirements system. Comparative studies show that the optimal regulatory model for the success of the initial public offering and market development should ensure a balance between protecting investors and reducing entry barriers for companies. For new capital markets such as Uzbekistan, such a comparative analysis provides valuable information in choosing the most optimal regulatory model.

The role of market infrastructure and financial intermediaries is another important object of analysis. Infrastructure supporting the initial public offering process in emerging markets - exchanges, depositories, registry offices, investment banks, and consulting companies - is at various stages of development. In the countries of Southeast Asia, especially Singapore and Malaysia, a highly developed financial infrastructure has been formed, which significantly increases the speed and quality of the initial public offering processes. At the same time, the infrastructure in the countries of Africa and

Central Asia is limited, which increases the costs of the initial public offering and complicates the process. Comparative analysis will help identify priority areas for infrastructure development, make effective use of international experience, and assess the possibilities of implementing technological innovations, in particular digital platforms.

The issue of the mechanisms for forming the initial public offering price and the valuation of companies is particularly relevant in developing markets. Studies show that in developing markets, the phenomenon of undervaluation or overvaluation of shares during the initial public offering is much more widespread than in developed markets. This is due to asymmetric information, weak development of the institutional investor base, low level of market liquidity, and inexperience of investors. For example, in Brazil and India, the growth of shares issued through the initial public offering on the first trading day often represents high interest rates, which means a potential loss of capital for issuers. Comparative analysis allows for the evaluation of pricing methods - book collection, fixed price, or mixed methods - in the context of each market, as well as the search for optimal mechanisms for balancing the interests of investors and issuers.

A comparison of the role of institutional and retail investors and their participation in the initial public offering process is also an important area of research. In developed markets, the initial public offering is mainly supported by institutional investors, while in developing markets, the share of retail investors can be relatively high. The experience of China and India shows that active participation of local retail investors can create high demand for the initial public offering, but this increases volatility and makes it difficult to form a stable market price. In most successfully developing markets, the expansion of the institutional investor base - attracting pension funds, insurance companies, and investment funds - is used as a long-term strategy. Comparative analysis helps to ensure a balance between retail and institutional investors, protect the interests of each of them, and develop mechanisms to ensure market stability.

The influence of cultural and institutional factors on the success of the initial public offering cannot be ignored. Developing markets differ from each other not only in the level of economic development, but also in the legal system, corporate governance standards, a culture of transparency, and the level of investor confidence. Comparative studies show that countries with strong institutional environments - such as Chile, Poland, or Malaysia - achieve high efficiency and long-term success in the initial public offering process. A weak institutional environment limits the activity of the initial public offering, reduces investor confidence, and leads to liquidity problems in the secondary market.

In this regard, comparative analysis should take into account not only technical aspects, but also a broader institutional and cultural context, develop recommendations for improving corporate governance standards, increasing transparency, and strengthening the institutional environment.

Finally, the global economic changes and crises of recent years require a review of the initial mass supply processes in emerging markets. During the global crisis, the initial

public offering activity in many emerging markets decreased significantly, but some sectors - especially technology, e-commerce, and digital services - showed high growth. Today, the increasing importance of digital transformation, environmental and social responsibility criteria in developing markets, and the changing attitude of international investors towards risk impose new requirements on the initial public offering processes. Comparative analysis is necessary for assessing the flexibility of different countries, taking into account this new reality, identifying innovative approaches, and forecasting the development trends of future stock markets. For countries like Uzbekistan, understanding and adapting to such global trends is key to shaping a long-term strategy for capital market development.

Literature Review

In the process of analyzing the literature on the topic, a number of leading world economists and specialists conducted scientific research on the comparative analysis of IPO processes in emerging markets. Local economists consider the issue of a comparative study of IPO processes in emerging markets as an important condition for the development of the national capital market. In particular, Sh. In his research, Saydullaev notes that the pace of development of IPO mechanisms in the stock market of Uzbekistan is slower than in developed countries. In his opinion, through comparative analysis, differences in the institutional environment, investor confidence, information transparency, and corporate governance levels will be identified, and it will be possible to form a national IPO model. Saydullaev sees the IPO processes not only as a financial instrument, but also as a tool for deep reform of the market infrastructure[1]. A. Mamatmurodov connects the relevance of IPO processes in emerging markets with the liquidity of the capital market and investment activity. In his research, he notes that IPOs in Uzbekistan are often carried out through state-owned enterprises, and compares this process with the experience of China, Russia, and Kazakhstan. According to the scientist, the comparative approach will allow increasing the effectiveness of IPOs in the process of privatization of state assets[2].

D. Mukhitdinova assesses the IPO process as an instrument of strategic financing in developing countries. In his scientific views, it is emphasized that comparative analysis serves to identify differences in the mechanisms of IPO valuation, in particular, the level of underpricing, investor behavior, and information asymmetry problems. Mukhitdinova believes that the effectiveness of IPOs in emerging markets is often limited by institutional vulnerabilities[3].

F. Raimov focuses on the organizational and marketing aspects of the IPO process. He notes that road-show, communication with investors, and information openness are not sufficiently developed in emerging markets. The scientist believes that comparative analysis is the most effective way to identify weak links in the IPO process and eliminate them[4].

M. Abduvaitov considers IPOs as an effective market mechanism for privatization, emphasizing that comparing IPOs processes in developing countries with developed

markets serves to reduce state property and strengthen the competitive environment. In his opinion, a comparative analysis of IPO processes is an important component of economic reforms[5].

B. Khursanaliyev will analyze the possibilities of IPOs for small and medium-sized businesses. The scientist substantiates the need to introduce alternative IPO models (SME IPO, simplified listing) in emerging markets, emphasizing that comparative analysis will help make scientific and practical decisions in this direction[6].

Foreign economists consider a comparative analysis of IPO processes in emerging markets as an important method for determining the level of institutional development of capital markets. J. Ritter, having empirically analyzed the long-term effectiveness of IPOs, found that post-IPO profitability in emerging markets is low. He explains this by information asymmetry and institutional vulnerabilities, and emphasizes that comparative analysis is important in identifying these problems.[7]

F. Allen, analyzing the phenomenon of signaling and underpricing in IPO processes, shows that this process is even more pronounced in emerging markets. According to the scholar, a comparative analysis between developed and developing markets allows for a deeper understanding of investor behavior[8].

M. Pagano, studying the reasons for companies entering the public market, notes that in emerging markets, IPOs are associated with the obligation to receive more external financing. He argues that through comparative analysis, it is possible to identify differences in companies' strategies[9].

S. Vismara, studying the role of new financial instruments and fintech platforms in the IPO market, notes that their influence in emerging markets is limited. In his opinion, comparative analysis serves to assess the possibilities of implementing innovative financing models[10].

L. Zingales analyzes IPO processes in connection with corporate governance. The scholar emphasizes that it is possible to raise management standards through IPOs in emerging markets, but this process needs to be compared with developed markets[11].

Research Methodology

Economic research methods such as analysis of research conducted by world scientists on the comparative analysis of IPO processes in emerging markets, collection of all data on the topic, comparison, and logical thinking were used.

Analysis and Discussion of the Results

Comparative analysis of IPO processes in emerging markets has important scientific and practical significance in terms of modernizing capital markets and strengthening their institutional foundations. For developing countries, IPO mechanisms are not only a source of financing for companies, but also a tool for deepening the stock market, expanding the investor base, and increasing market transparency. Therefore, a comparative study of the experience of different countries allows us to identify systemic differences and common trends in the IPO processes.

Comparative analysis of IPO processes is of particular importance in identifying institutional problems existing in emerging markets. In particular, such factors as insufficient formation of the legal framework, low level of information transparency, weak corporate governance standards have a direct impact on the effectiveness of the IPO. Comparative analysis between developed and developing markets serves to identify these shortcomings and develop mechanisms for their elimination. Comparative analysis of IPO processes in emerging markets makes it possible to scientifically substantiate the issues of improving the investment climate. The availability of reliable and transparent IPO mechanisms for investors is an important factor in attracting foreign and domestic investment flows. In this regard, comparative analysis allows for a deep analysis of differences in investor behavior, risk assessment methods, and investment decision-making processes.

Comparative analysis of IPO processes is also important in the process of privatization of enterprises with state participation. In developing countries, IPOs are often carried out by putting state assets on the market. Therefore, a comparative study of the experience of other countries makes it possible to increase the transparency of privatization processes, improve corporate governance, and effectively manage state property. Comparative analysis has important scientific significance in increasing the effectiveness of IPO valuation mechanisms. In emerging markets, cases of underpricing of shares in IPOs are widespread, which leads to potential losses for companies and the state. By comparing the experience of different countries, differences in assessment methodologies are identified, and the possibility of implementing the most optimal approaches arises.

Comparative analysis of IPO processes is also relevant in terms of expanding access to capital markets for small and medium-sized businesses. In developing countries, traditional IPO mechanisms are often adapted for large companies, and alternative models for SMEs are not sufficiently developed. Through comparative analysis, the advantages of implementing such mechanisms as SME IPOs and simplified listing are determined.

Comparative analysis of IPO processes in emerging markets is also closely related to ensuring financial stability. Deepening capital markets through IPOs reduces the excess burden on the banking sector and diversifies funding sources. This is an important factor in ensuring long-term sustainable economic growth.

In general, a comparative analysis of IPO processes in emerging markets is of great theoretical and practical importance, serving the development of national capital markets, improving the investment climate, and deepening economic reforms. The relevance of this topic lies in the fact that the scientific conclusions and practical recommendations developed on the basis of a comparative approach allow for the formation of a suitable, effective, and sustainable IPO model for developing countries.

Table 1. Scientific and Educational Comparative Analysis of IPO Processes in Emerging and Developed Markets[8, 9, 10, 11, 12]

Parameters	Emerging markets	Developed markets	Analysis and commentary
Institutional environment	Weak, underdeveloped legislation and regulation	Strong, with developed regulatory mechanisms	Emerging markets require institutional reforms to increase the effectiveness of IPOs.
Information disclosure	Low, insufficient information for investors	High, provides complete information about the company and the market	Lack of information leads to investor errors in emerging markets
Investor behavior	More speculative, risk-sensitive	Experienced, makes long-term decisions	Comparative analysis reveals differences in investor psychology and behavior.
Underpricing	High, companies undervalue stocks	Relatively low, fair assessment	Valuation mechanisms should be optimized for emerging markets.
IPO goal	Privatization of state assets, capital attraction	Expansion of capital, financing of innovative projects	Comparative analysis reveals differences in goals.

Note: This table analyzes the main differences between emerging and developed markets, the factors influencing the effectiveness of the IPO process.

According to the table above, it can be seen that the effectiveness of IPO processes in emerging markets is mainly closely related to the institutional environment and the legal system. For example, due to the insufficient formation of regulatory mechanisms in developing countries, companies face many difficulties in the process of issuing and placing shares. At the same time, low transparency of information undermines investor confidence, and they are prone to making speculative decisions. Comparative analysis shows that compared to developed markets, there is a strong regulatory system, high transparency of information, and investors can implement long-term strategies. As a result, the need for institutional reforms, ensuring transparency, and introducing corporate governance standards to increase the effectiveness of IPOs in emerging markets becomes relevant.

Evaluation and underpricing indicators reveal a significant difference between developing and developed markets. In emerging markets, there are high cases of undervaluation of shares in IPOs, which leads to potential economic losses for companies and the state. Developed markets achieve a balance of interests between investors and companies by improving valuation mechanisms. In this regard, comparative analysis shows the need to optimize valuation standards and regulatory mechanisms for developing markets. This will serve to increase the effectiveness of the

IPO process as a means of ensuring not only financial, but also economic stability. Comparative analysis of IPO objectives shows that in developing markets, IPOs are used as a means of privatization of state assets and raising capital, while in developed markets, IPOs are used to finance innovative projects and deepen capital markets. This difference highlights the strategic importance of IPO processes in developing countries, as they can also serve as a tool for effective management of state property and ensuring economic stability. Comparative analysis also creates opportunities for the formation of a national IPO model and the adaptation of international experience by studying the differences between developed and developing markets.

Table 2 Comparative analysis of regulatory systems by emerging markets[8, 9, 10, 11, 12]

Country	Regulatory body	Registration deadline	Minimum capital requirement	Transparency level	Control stiffness
Chinese	Securities Regulatory Commission	Long (more than a year)	Very high	Average	Very hard
India	Securities and Exchange Administration	Average (six to eight months)	High	High	Hard
Brazil	Securities commission	Short (four to six months)	Average	High	Average
Turkey	Capital Markets Council	Short (three to five months)	Average	Average	Average
South Africa	Financial Sector Management Department	Average (five to seven months)	High	High	Hard
Poland	Financial Control Commission	Short (three to four months)	Low	High	Average
Malaysia	Securities commission	Average (six months)	Average	High	Average
Egypt	Financial regulatory body	Average (six to eight months)	Low	Average	High

A comparative analysis of regulatory systems in emerging markets shows that these countries use different approaches, and these differences directly affect the effectiveness of the initial public offering process. The very strict control system and lengthy registration process observed in China reflect the active role of the state in regulating the economy. Although this approach is aimed at protecting investors and ensuring market stability on the one hand, on the other hand, it requires significant time and resource costs for companies. Even very high minimum capital requirements make it difficult for small and medium-sized businesses to enter capital markets. Such a strict regulatory system can hinder the rapid development of the market, but at the same time helps limit speculative actions and reduce systemic risks.

The experience of India, Brazil, and South Africa demonstrates the effectiveness of the balanced regulation model. These countries have implemented relatively short registration periods and strict but flexible control mechanisms while maintaining high transparency requirements. The system used by the Securities and Exchange Board of India requires high transparency requirements that meet international standards, which strengthens investor confidence and helps attract foreign capital. Brazil is characterized by the shortest registration period and moderate control severity, which allows companies to quickly enter the market. Such approaches are based on the principle of economic liberalization and trust in market mechanisms, while preserving the necessary protective measures to protect the rights of investors. The experience of these countries shows that the effectiveness of regulation is manifested not only in the strictness of the rules, but also in their clarity, consistency, and speed of implementation.

Countries with a medium-level regulatory system, such as Turkey, Poland, and Malaysia, are implementing a strategy for the gradual development of their markets. These countries strive to create a favorable environment for companies by introducing short or medium-term registration processes, but at the same time, they are gradually increasing transparency and control standards. Average minimum capital requirements and balanced control stiffness facilitate market entry for new issuers, leading to market size expansion and increased competition. The example of Egypt illustrates the challenges faced by markets at an early stage of development: while low minimum capital requirements are favorable for companies, moderate transparency and high control severity create an ambiguous regulatory environment. For emerging markets such as Uzbekistan, it is important to thoroughly study these various experiences and choose an optimal regulatory model that meets their economic conditions, institutional capabilities, and development goals.

Conclusions and Suggestions:

The conducted analysis showed that a comparative study of IPO processes in emerging markets is important both theoretically and practically. According to the research results, the effectiveness of IPO mechanisms in developing countries is directly related to the level of maturity of the institutional environment, information transparency, corporate governance standards, and investor confidence. Comparative analysis, by comparing it with the experience of developed markets, made it possible to identify the main problems in the IPO process in emerging markets - the high level of underpricing, speculative investor behavior, and limited regulatory mechanisms. At the same time, it has been scientifically substantiated that IPOs are an important strategic tool for deepening capital markets in emerging markets, privatization of state assets, and diversification of sources of financing.

In order to increase the effectiveness of IPO processes in emerging markets, first of all, it is necessary to improve the institutional and legal framework, bring information transparency and corporate governance standards in line with international

requirements. It is also advisable to reduce the number of cases of undervaluation of shares by optimizing the mechanisms for IPO valuation, and to introduce programs to improve financial literacy for investors. The development of simplified listing and alternative IPO models for small and medium-sized businesses will expand access to capital markets. In addition, by adapting the results of comparative analyses based on the experience of developed countries to national conditions, it is possible to form a stable and effective IPO model.

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