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**STOCK MARKET OF THE REPUBLIC OF BELARUS:
THEORETICAL AND PRACTICAL ASPECT****YAROSLAV GOROVOY, BAH DANAVA ALENA**
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The article deals with theoretical and practical aspects of the stock market of the Republic of Belarus. We examine the issues relating to the composition of the stock market. The legislation of the Republic of Belarus which regulates the processes in the stock market and the basic problems of functioning and development of the stock market are considered. Directions for improvement of the stock market in the Republic of Belarus are offered.

In modern conditions the security market is an integral part of a financial sector of economy, as it is based on the transition from accumulations and savings to investments. As a rule, the developed stock market in any country enriches and assumes the development of the financial sector in the future. The role of the stock market increases considerably at all levels of economy, from micro-up to mega-levels per year. Today, the development of the stock market, as an integral part of economy, should be the goal of any developing state.

The security market of the Republic of Belarus has a very short history, as it appeared with the creation of our independent state. At this stage of development of the financial sector, it is insufficiently effective against the background of a bank segment in the sphere of redistribution of the equity, demonstrating slow but stable growth. During the existence of the stock market of the Republic of Belarus the legal framework in the area of issuance and circulation of securities has been developed. The Republic of Belarus has mono-stock exchange system. There is only one All-Belarusian stock exchange where the purchase and the sale of securities may be carried out.

The stock market of the Republic of Belarus can be divided into five segments:

1. Government securities;
2. Municipal securities;
3. Corporate securities;
4. Securities of commercial banks;
5. Personal checks.

An important element of the security market of the Republic of Belarus is an appearance of the calculation and the publication of its own stock index, which is a required indicator for securities, by "SS/SB" ("State Securities/Short-term Bonds") of the National Bank.

Despite all the facts I have mentioned, the stock market of Belarus cannot still be considered sufficiently developed against the background of the Western states.

Let us consider the basic legal document which regulates the security market of Belarus.

In accordance with Presidential Decree №194 dated April 3, 2008, "On Making Amendments and Addenda to the Presidential Decree dated 28 April, 2006, №277", a legal entity can issue bonds to circulation under certain conditions:

1. The net asset value of the legal entity must not be less than 1 million euro.
2. You must not have a negative result from operating activity.

According to the given criteria, we can say that such conditions can only be satisfied by banks in our state, the organizations with large income do not put their securities on the stock market of Belarus, because the sum of deals is miserable against the background of the Western markets. So, it is more profitable to put the securities on the Western stock exchange, they think. It should also be noted that the second condition does not allow to solve financial problems by issuing securities, so it baffled the further development of the stock market. If we compare these conditions with the conditions in the US, it would be really interesting to pay attention – every organization has the right to place its shares, regardless of the results of the main activities.

So then, we will analyze the availability of securities on the All-Belarusian stock exchange.

So, according to this table we can say that the highest rankings take fully state-owned banks or commercial banks with the majority of state ownership.

Based on the analysis of securities for sale offered, we can draw the following conclusions:

1. The stock market of the Republic of Belarus is regulated by the state.
2. The profit from investments is mainly directed at the public sector.

Most of the securities offered for sale are purely state. Consider the rating of participants trading on the stock market in the period from January 2016 to December 2016. Data presented in Table 1.

Economics

Table 1 – Ranking the bidders in the stock market of the Republic of Belarus in the period from January 2016 on December 2016

January 2016		December 2016	
Name	Rating	Name	Rating
JSC "Savings Bank "Belarusbank""	1	JSC "Belagroprombank"	1
JSC "Belagroprombank"	2	JSC "Savings Bank "Belarusbank""	2
JSC "Paritetbank"	3	CJSC "MTBank"	3
JSC "Belgasprombank"	4	JSC "Belinvestbank"	4
CJSC "MTBank"	5	JSC "Belarusian development bank"	5
JSC "Belinvestbank"	6	JSC "Paritetbank"	6
CJSC "Aigenis"	7	Unitary enterprise "ASB Broker"	7
Unitary enterprise "ASB Broker"	8	JCS "BPS-Sberbank"	8
UE "Vneshpromtrade"	9	CJSC "Cepter bank"	9
JSC "Belarusian development bank"	10	JSC "Tehnobank"	10
CJSC "Cepter bank"	11	CJSC "BSB Bank"	11
CJSC "TK Bank"	12	Ministry of Finance of the Republic of Belarus	12
CJSC "BSB Bank"	13	Private enterprise "Diamondinvest"	13
Ministry of Finance of the Republic of Belarus	14	CJSC "TK Bank"	14
JSC "Tehnobank"	15	JSC "Eurotorginvestbank"	15
JCS "BPS-Sberbank"	16	CJSC "Alpha-bank"	16

The stock market of the Republic of Belarus is based on the sale of stocks and bonds. Futures are not very popular, although there have been cases where, due to the currency exchange, transactions in futures turned out with high profits.

Retarding factor in the development of the stock market of the Republic of Belarus is the high tax rate on security transactions (24%).

As for the practical aspects of the security market of the Republic of Belarus is that according to the statistics the volume of the issue of securities increases on the balance sheet date. But the greatest activity in the issuance of new securities was from 2011 to 2014, although the amount in millions of BYN raised in 2015–2016. According to the analysis of these trends it becomes clear that the development has not got good results. On the average, growth is observed only at 3 million of BYN, that is too little if we compare our market with the developed ones, where one transaction will be greater than the yearly increase in rubles for 5 years. When considering bonds in 2015-2016, their popularity is higher than the popularity of shares, however, the production and the sale of the shares begin to gain momentum, which is also a positive trend for the development of the security market. After all, the deposit invested in shares is returned with a risk probability in many times more than the permanence of bonds. People begin to realize this.

You can see the structure of the securities in circulation from 2011 to 2016. According to the picture below, we will note that the percentage of shares in 2011 was higher but the amount of transactions on the shares is higher today than it used to be. It leads to the developing of the debt market. The picture given below shows us how our security market is arranged. The darkest colour in the picture is the shares, while the dark-grey shows us the bonds. The colours on the left show us the percentage of the state securities on the market.

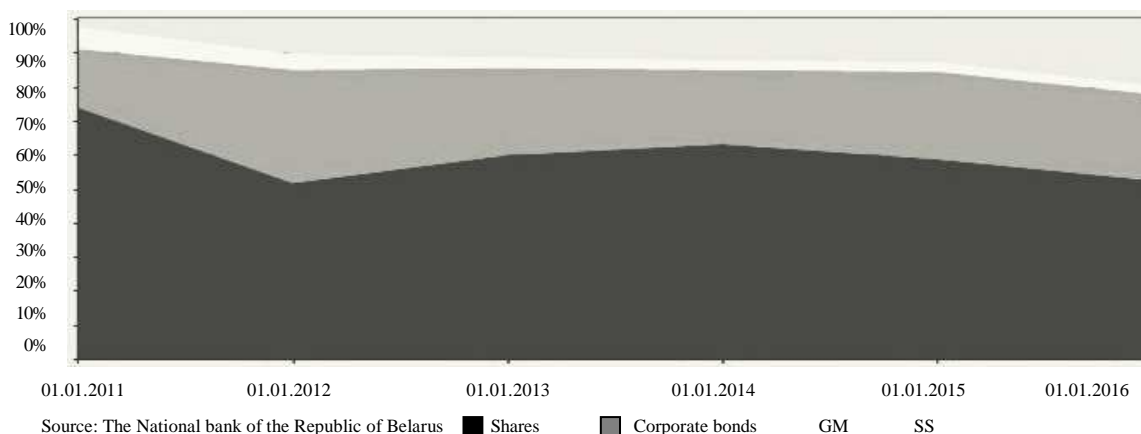


Fig. 1. The structure of the securities in circulation from 2011 to 2016

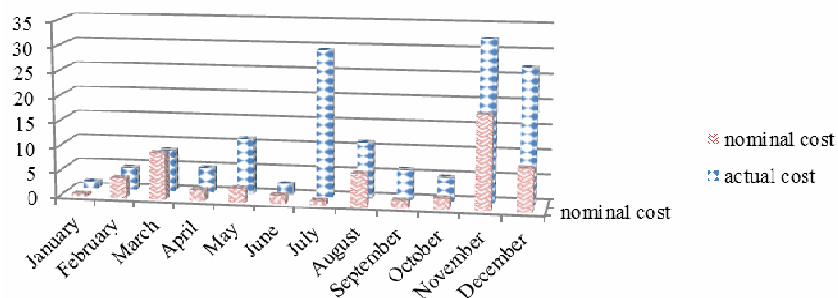


Fig. 2. Monthly volume of issuance of the shares in 2016, million. BYN

The problem of placement of securities on the territory of the Republic of Belarus is inflation. Despite state's anti-inflationary policies, it is still a serious threat to the financial stability. Another problem, according to the author's opinion, is a risk to buy securities. As noted earlier, large inflation rates are a deterrent factor for market participants, and it is not always a positive indicator of income of organizations. Protection against fraud or loss is not given by state, which, in its turn, is one of the ways to improve the insurance activity of the Republic of Belarus.

Based on the foregoing, the problems are highlighted by the author, the solution of which will improve the activity of the stock market in the Republic of Belarus. The basic directions for improving the stock market of the Republic of Belarus are written below:

1. The replacement of bank loans by attraction additional capital through the stock market;
2. The reduction of tax rates;
3. The reduction of the requirements for the issuance of securities by giving the possibility of entering to small and medium enterprises on the stock market, and, of course, organizations of private property should also be present;
4. Do not extract the interest income from state-owned enterprises due to transactions in the stock market.
5. The development of non-bank institutions;
6. Increasing the number of companies by type of activity (industrial sector, energy, retail, construction, pharmaceutical industry, telecommunications, etc.);
7. Pursue the policy of IPO, in large quantities (IPO – Initial Public Offering);
8. The creation of a common security market of the Union of Russia and Belarus, the Eurasian Economic Union, as well as close cooperation with the members of these organizations.

In author's opinion, one of the most promising solutions is a policy of initial public offerings, in large quantities. This IPO will help to "revive" the operation of securities circulation. IPO has been studied by many economists such as R. Miller, R. Michaeli, R. Smith, C. Rock, John Ritter, and others... The main principle of IPO is to attract additional funds through a nationwide advertising and access to securities. These funds are investments. Moreover, certain factors of the admission to trading have no meaning. IPO – it's initial public offering, which occurs when a company first sells its shares to the general investors. For most companies, this will be a big push forward. IPO will also allow to develop and to increase the capitalization of the stock market. In this research the author will discuss more, as well as the mechanism of action of an initial public offering.

To sum up, the stock market of the Republic of Belarus is developing. There are many obstacles which can be overcome. In connection with this, measures to overcome these problems are proposed: audits, simplification of the mechanism of purchase of securities, the reform of legal acts in relation to trafficking and the issuance of securities, the IPO policy, as well as an increase in the proportion of shares of private companies.

In 2014, the percentage of creating of GDP by small and medium businesses is estimated up to 21.7%. We can see that due to this percent the proportion of small and medium businesses is very high today, but still they have not claimed a share on the stock market.

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