


THE PROCESS OF INTEGRATION INTO THE INTERNATIONAL FINANCIAL MARKETS IN THE DEVELOPMENT OF THE FUND MARKET IN UZBEKISTAN

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Article Info	ABSTRACT
<p>Article history: Received Mar 06, 2024 Revised Mar 16, 2024 Accepted Apr 17, 2024</p> <p>Keywords: Financial market, international transformation, securities, liquidity, corporate governance, investment funds, investment intermediaries, IPO, SPO.</p>	<p>This article assesses the effects of Uzbekistan's stock market's growth and integration into global financial markets. In addition, integration into global financial markets, drawing in foreign capital, promoting economic growth, and boosting stock market efficiency and liquidity are all important factors in the current financial systems' configuration.</p> <p style="text-align: right;">This is an open-access article under the CC-BY 4.0 license.</p> 

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INTRODUCTION

To attract foreign investment, improve financial stability, and promote economic progress, Uzbekistan has to integrate its stock market in order to become a competitive player in the global financial markets.

A multidimensional strategy is required for integration into global financial markets, including regulatory reforms, technology developments, and the establishment of an investor-friendly environment. By bringing its financial processes into compliance with international norms, especially International Financial Reporting norms (IFRS), Uzbekistan hopes to increase investor trust and improve the stock market's efficiency and transparency [1,2,3,4]. Uzbekistan can promote effective competition in the global capital market by adopting IFRS, which will improve comparability in financial reporting and

reduce misunderstanding and additional expenses for users such as investment analysts [5,6].

This alignment helps Uzbek businesses to develop goods that satisfy worldwide standards, thereby promoting economic and social welfare in the nation, as well as facilitating bilateral trade contacts and cooperation with international financial organizations [7,8,9,10]. The incorporation of contemporary technology-based financial management techniques demonstrates Uzbekistan's dedication to creating a strong financial system by It is anticipated that this approach will not only make it easier for foreign capital to enter the country, but it will also provide local businesses more access to financing, which will boost innovation and economic activity.

Financial markets, especially the stock market, are vital to the modernization and creative development of a country's economy because they require large investments [11,12,13,14,15]. Studies show that irrespective of a nation's degree of economic development, the growth of stock markets has a substantial impact on national technical innovation, whereas the effect of credit market development differs depending on the kind of nation.

Furthermore, especially in developing and rising market nations, the entry of foreign direct investment (FDI) can amplify the favorable impacts of stock market development on domestic technical innovation. Thus, establishing favorable conditions for the expansion of the stock market and enhancing the capital market are crucial measures for drawing large capital inflows and promoting long-term economic growth, which in turn stimulates innovation.

There is a growing need to expand Uzbekistan's stock market and integrate it with global stock markets. The stock market, which transforms savings into investments, is a key factor in economic growth [16].

Nonetheless, some obstacles impede its efficient growth, such as inadequate funding, inadequate infrastructure, and intricate legal matters [17].

Certain conditions, such as drawing in both foreign and local investors, enhancing the taxes and legal systems, and instituting the openness of information concept, are being established to address these issues [18].

The main tactics and procedures used by Uzbekistan in its path to integration are examined in this article.

Literature Review.

It has prompted numerous scientific advancements in the growth of the stock market and its incorporation into global stock markets by experts from other countries. International scientists have investigated several facets of the stock market's evolution.

Specifically, research by international scientists Dhyani, A. and others indicated that the stock market is regarded as a significant economic sector and that investors and businesses collaborate to trade financial products on cutting-edge platforms [19]. Scientists' research has demonstrated that new technology platforms have continuously altered the stock market and played a significant role in promoting economic expansion.

The fund market has developed significantly as a result of its integration with global financial markets, which has increased chances for diversification, improved competitiveness, and quick reaction to market fluctuations. [20]. The financial market and financial security are greatly impacted by globalization, which highlights the necessity of putting changes into practice to adjust to these processes [21].

The objective of legislative initiatives such as the UCITS and MiFID directives is to standardize financial services across nations, thereby expediting the integration of financial markets within the European Union [22].

Measures to improve control, transparency, and liquidity are necessary for the creation of a successful fund market. New educational initiatives are also needed to improve participant professionalism and investment culture [23].

Nehkholen Haokip asserts that the stock exchange, the principal element of the stock market, functions as a virtual stock market and represents the effectiveness of capital mobility and economic development [24].

Fatma Zaarour thinks that the growth of the securities market and its incorporation into the global stock markets are critical to the maintenance of the domestic economy and the advancement of international financial linkages [25].

The primary step in integrating national stock markets into the global arena, according to Abuselidze, G. and others, is the development of international cooperation and the drawing in of foreign investors [26].

A. Slobodanykni asserts that stock market volatility can impact foreign commerce and currency values, underscoring the necessity of a competitive stock market with a floating exchange rate system [27].

International scientists G. A. Raju and S.P. Velip noted in their research that stock market integration increased with time, particularly following significant financial crises like the global financial crisis in 2008 and the Asian financial crisis in 1999 [28].

The integration of the domestic stock market with the global market is positively impacted by financial development and integration, but the impact of international trade integration is lessened because of the low volume of mutual trade, according to Chinese economists Nguyen and colleagues. In [29].

According to A.V., one of the key elements in ensuring that businesses have access to the financial resources they require is drawing in investment activity through the stock market. For businesses looking to raise funds for expansion and development, the stock market is a crucial venue [30]. In the securities market, commercial banks hold a prominent place.

Russian economist Yu. Nichkasova and others have noted that commercial banks serve as issuers, investors, and intermediaries, guaranteeing the existence of the stock market for investors [31].

According to researchers, the stock market facilitates the movement of capital, and promotes a balanced distribution of funds for economic development [32,33].

METHODS

Research is done using a variety of techniques, including comparison of indicators, induction, deduction, positivism, experiments, questionnaires, generalizing sample results to the population, emission models, and more. Additionally, the research being conducted uses objective, scientific methodologies as well as statistical design in the form of cause and effect. Certain situations are included in the research. Inspections and other tests verify the dependability of the findings. The macroeconomic changes that preceded and followed the financial sector reforms were examined to assess the chances for Uzbekistan's stock market to grow and ensure its integration into global stock markets

RESULTS AND DISCUSSION

The Central Bank of the Republic of Uzbekistan's data (www.cbu.uz), the National Agency for Prospective Projects of the Republic of Uzbekistan's corporate information single portal (www.openinfo.uz), and the Statistical Agency under the President of the Republic of Uzbekistan (www.stat.uz) are the research sources. The data was prepared using information from foreign literature, scientific articles, internet sources, library catalogs, and other sources.

To study foreign experience, one can consult literature, official reports from key international financial institutions like the World Bank and the International Monetary Fund, scientific papers and information-analytical bulletins, as well as databases sourced from the Internet.

The national stock market is crucial for directing resources toward investments, spreading out risk, and raising money for business expansion. The effectiveness of Uzbekistan's stock market is crucial for promoting financial transactions, making long-term savings easier, and fostering economic expansion. Securities are a crucial tool on the national stock market for transforming savings into investments, which in this instance promotes economic growth. But obstacles to its best operation include inadequate infrastructure and funding, convoluted regulatory frameworks, and scant investor protection measures.

The significance of actions like drawing in both domestic and foreign investors, raising dividend income, enhancing the tax code and legal framework, creating

transaction insurance programs, and guaranteeing information transparency is growing to improve the effectiveness of the stock market.

The following is an evaluation of the Uzbek stock market's efficiency, a breakdown of the primary variables influencing its activity, and recommendations for improvement (refer to Figure 1).



Figure 1. Evaluation of the efficiency of the stock market in Uzbekistan¹

It can be explained as follows when assessing the effectiveness of the domestic stock market, per Figure 1 above. The effectiveness of the stock market is largely determined by its structure and regulatory environment. The "Tashkent Stock Exchange" is the primary venue for securities trading in Uzbekistan. Comparing the market to more advanced financial market platforms, it is shallow and small. Enhancing market efficiency necessitates regulatory changes focused on investor protection, corporate governance, and transparency.

One of the key steps, in our opinion, in enhancing the effectiveness of the domestic stock market and fostering its integration with global stock markets is making sure that information on securities is disclosed in a timely and comprehensive manner. To guarantee these procedures, certain crucial guidelines are needed (see Figure 2). Based on the size of their shares, Uzbekistan's stock exchange's shareholder makeup can be categorized. Typically, there are three primary categories of shareholders: small, medium, and large shareholders. Large shareholders control more than 10% of the company's shares, medium shareholders have an average investment of 1% to 10%, and small

¹ Independently developed by the author

shareholders typically own a minority interest of less than 1% of the company's total outstanding shares.

The examination of the distribution of shareholders based on share size offers important insights into ownership dynamics, corporate governance standards, and market dynamics within the Uzbek stock exchange. Small shareholders find it difficult to assert their rights and have an impact on company decisions, while large shareholders have considerable authority and influence over listed firms. Additionally, the companies listed below are those that are engaged in buying and selling securities on the national stock market as of April 1, 2024. (see Table 1)

Table 1.
Participating legal entities that carry out securities trading operations²

<i>No</i>	<i>Participants</i>	<i>Number</i>
1	Securities issuers	629
2	Depositors	816 087
3	Investment intermediaries	47
4	Investment funds	9
5	Investment fund shareholders	50 907
6	Investment asset managers	31

Based on the data presented in Table 1, the incorporation of the domestic stock market into the global market signifies a significant advancement toward worldwide economic interconnectedness and investment prospects. represents a strong and active market ecosystem made up of 31 investment asset managers, 9 mutual funds, 50,907 shareholders, 629 securities issuers, 816,087 depositors, and 47 investment intermediaries. Furthermore, the diversity of businesses looking to raise capital through public investment is reflected in the existence of 629 securities issuers.

This diversification presents healthy investment prospects across a range of sectors and broadens the investment options available to both domestic and foreign investors. Additionally, the rise in depositors to 816,087 shows that the pool of investors using the stock market is expanding. Investor confidence is boosted by this, with the possibility for.

A well-established infrastructure for transaction facilitation and investment services provision is indicated by the existence of 47 investment intermediaries. These middlemen are essential in facilitating the exchange of information between investors and securities issuers, offering advice services, and guaranteeing adherence to market regulations. Furthermore, the fact that there are 50,907 mutual fund shareholders and 9 mutual funds shows that the number of people investing in collective vehicles is growing.

It should be highlighted that the incorporation of the domestic stock market into the global marketplace results in a vibrant and diverse market environment that is home to

² Independently developed by the author based on <https://uzcsd.uz> data

numerous asset managers, investors, intermediaries, securities issuers, and investment funds.

As of right now, the national stock market's shareholder structure is broken down by share size as shown in Figure 2.

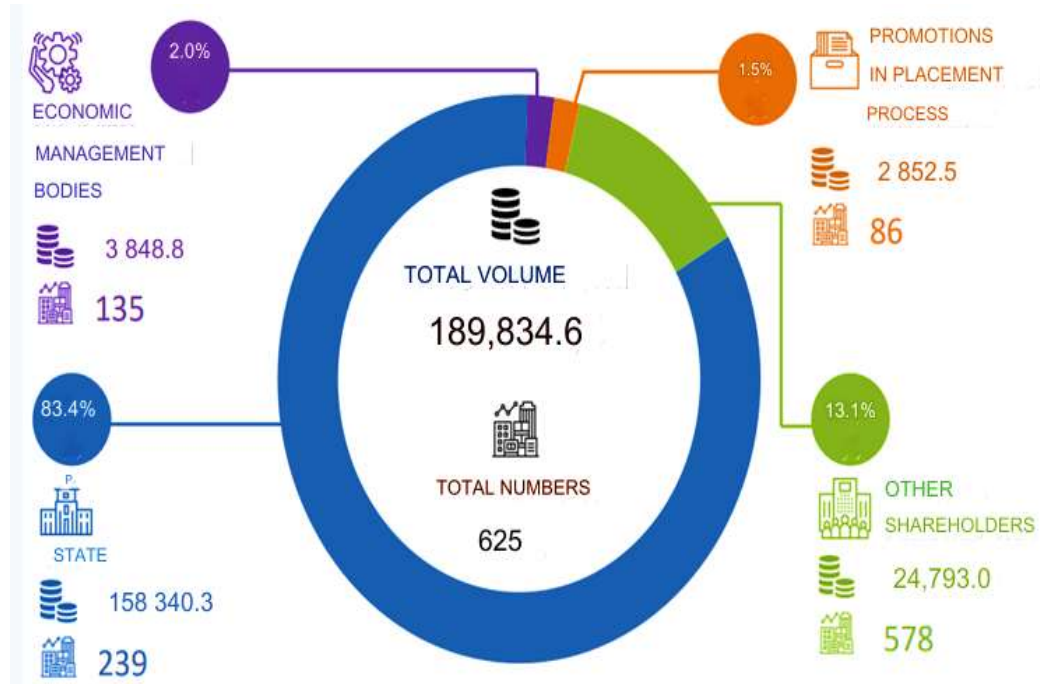


Figure 2. The structure of shareholders by share size in the national stock market³

As illustrated in Figure 2, the distribution of shares on the Uzbek national stock market is based on the size of the shares held by various businesses.

Within the scope of state bodies, the bodies in charge of economic administration hold 3848.8 billion shares. These shares show the government branches' direct involvement and authority over particular industries. State enterprises and shares held by entities having a significant state share are examples of organizations with a state share. These entities own a 158,340.3 billion share in the national stock market, demonstrating the supremacy of state property and the government's control over the major economic sectors.

The shares of businesses that are presently undergoing initial public offerings (IPOs) or other share placement processes are known as companies in the placement process. They are worth 2,852.5 billion soums, or 1.5% of the total volume of shares. These shares show that the introduction of new businesses and the privatization of state-owned industries are the main reasons behind the stock market's ongoing growth. Other shareholders are all other shareholders, except state organizations, economic management bodies, and firms that are in the process of being placed. They account for about 24,793 billion soums or 13.1% of the total share volume. These stock market participants could include international investors, institutional investors, private investors, and other people.

³ Independently developed by the author

The distribution above highlights the fact that state property is heavily represented on the Uzbek stock market, with the majority of shares being jointly owned by state organizations and economic management authorities. This suggests that the government is heavily involved in and in charge of the nation's economy

CONCLUSION

As a result of the analysis and conclusions on strengthening the integration of the national stock market into the world stock market and studying the factors affecting it, the following proposals and analyzes were developed.

1. The relationship between the stock market and technological innovation affects the consumption of securities and the efficiency of banking services. Capital inflows stimulate demand for securities by providing funds for investment, thereby increasing trading volume and market participation. Technological innovations increase the efficiency of banking services through online shopping, mobile banking, and electronic money transfers.

2. Technical innovation stimulates investment, fosters invention, and increases market efficiency in the process of integrating into the global stock market, all of which lead to economic growth. Employment opportunities, knowledge transfer, and economic activity are all stimulated by foreign direct investment and portfolio inflows.

3. Technological innovation also promotes entrepreneurship, boosts productivity, and diversifies the economy. However, achieving the maximum potential of financial flows and technological innovation requires supportive regulatory and enforcement environments. An environment that is favorable to capital flows and technological innovation is created by effective legal frameworks, transparent governance structures, and clear and enforceable rules. This ensures sustained economic progress.

4. The national stock market's financial institutions, regulators, and financial infrastructure are all impacted by technology innovation and capital movements through the market. Strong financial infrastructure, including trading platforms, clearing and settlement systems, and market surveillance tools, must be developed to handle increased capital flows.

5. The entry of Uzbekistan into global financial markets has revolutionized the country's stock market and ushered in a period of economic modernization and increased interconnectedness. This strategic plan seeks to establish Uzbekistan as a competitive and alluring location for foreign investment, supported by extensive regulatory reforms, technical breakthroughs, and a dedication to transparency.

6. Building a solid financial infrastructure and bringing local financial practices up to global norms are essential components of integration. The stock market

has become more accessible to international investors as a result of its integration, and Uzbekistan will gain from an increase in capital flows. These developments will promote economic growth, innovation, and the stability of the financial system as a whole. bolsters its stability.

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