European Journal of Business Startups and Open Society

Vol. 4 No. 6 (Jun - 2024): EJBSOS

http://innovatus.es/index.php/ejbsos

The Importance of International Stock Markets in Increasing the Efficiency of the National Stock Market

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Abstract: This article highlights the importance of international stock markets in improving the efficiency of national stock markets. Opportunities for increasing market liquidity through the international stock market, integration of world markets, information and technologies, and opportunities for mastering advanced trade mechanisms are highlighted. As a result, competitive pressures from international markets have been proposed to improve the regulatory framework and operational efficiency of national markets, better risk management mechanisms that allow investors to protect themselves from domestic uncertainties.

Key words: Financial market, stock market, integration, international financial instruments, foreign investments.

INTRODUCTION.

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.

In the national stock market, securities are an important means of converting savings into investments, which in this case contributes to economic development. However, insufficient capitalization and infrastructure, complex legal systems and limited investor protection mechanisms prevent it from operating optimally.

It is true that the effectiveness of national stock markets is greatly enhanced by the presence of international stock markets. Studies suggest that wealthy nations such as the US, UK, and Switzerland have more efficient markets than other nations, illustrating the influence of international dynamics [1]. Evidence suggests that foreign investors trade at a competitive advantage over domestic investors, utilizing global information to inform their trading decisions, and they also considerably contribute to the informational efficiency of national stock markets [2,3]. Furthermore, it has been demonstrated that stock market liberalization exemplified in China by initiatives like the Stock Connect improves market efficiency by raising the quality of corporate governance and stock price informational efficiency, which eventually boosts local market efficiency and firm value [4,5]. This emphasizes how crucial global relations and policy are to.

By providing avenues for cross-border investment and capital flows, they foster a more competitive and integrated global financial environment [6,7].

This integration leads to improved price discovery, greater liquidity, and more efficient allocation of resources within national markets.

Investment portfolio diversity on a global scale is essential for reducing risk and promoting financial market stability. According to research, diversification across markets and economies helps distribute risk over a range of asset allocations, lowering investing uncertainty while preserving expected returns [8,9]. Research has demonstrated that investing portfolio diversity beyond national borders is a substantial opportunity to optimize returns and reduce risk, particularly given the low correlation values among assets from other markets [10,11]. Additionally, empirical data indicates that, in times of turbulence, international diversification might offer decorrelation with global markets, reducing risk and promoting stability in the financial markets [11,12,13]. All things considered, investors that diversify internationally not only increase their chances of maximizing their returns but also share risk and help to stabilize the financial markets[14,15].

Moreover, the exchange of information and best practices across borders promotes transparency and governance standards. Consequently, international stock markets not only support domestic economic growth but also contribute to the resilience and robustness of the global financial system.

Literature Review.

Theoretical and practical aspects of the importance of international stock markets in increasing the efficiency of the stock market, as well as issues of their introduction, have been studied by a number of foreign economists. Also, many theoretical scientific works and definitions are given on the methodology of increasing the efficiency of the stock market

In particular, foreign scientists Dhyani, A. and others in their researches stated that the stock market is considered an important sector of the economy, and investors and companies interact and trade financial instruments on innovative platforms [16].

According to A. Slobodianykni, the volatility of the stock market can affect currency values and international trade, which emphasizes the need for a competitive stock market with a floating exchange rate mechanism [17].

Research by foreign scientists G. A. Raju and S.P. Velips shown that stock market integration has quickened over time, particularly following significant financial crises like the global financial crisis of 2008 and the Asian financial crisis of 1999 [18].

According to Chinese economists Nguyen et al., financial integration and development have a positive effect on the integration of the national stock market with the world market, while international trade integration has a smaller effect due to the small volume of mutual trade [19].

Using Chaiporn et al.'s method, the researchers measured the degree of integration of the national stock market in Vietnam and five other Asian economies from 2000 to 2015. According to the results of the study, financial integration and development in Vietnam and other studied countries showed a positive effect on the integration of the national stock market with the world stock market [20].

A.V. In Ramazanov's opinion, attracting investment practice through the stock market is an important factor in meeting the needs of companies for financial resources. The stock market serves as an important platform for companies to raise capital for growth and development [21].

Russian economists Yu. Nichkasova and others emphasized the high position of commercial banks in the securities market and explained that they act as issuers, investors and intermediaries and ensure the availability of the stock market for investors. Scientists analyzed the practice of attracting investments by the corporate sector of Belarus, Kazakhstan and Russia during 1996-2018 [22].

The study's findings demonstrated that the degree of development of stock market procedures varied significantly depending on the nation where the use of the IPO tool was demonstrated. It was observed that the IPO was significant for the growth of the institutional framework of the national stock markets and the integrated financial market of the Euro-Asian region.

Also, L. Sava and others emphasized that the stock market serves the development of the redistribution of financial resources and investment practice in economic processes. Stock exchanges work as an effective mechanism of redistribution of financial resources within the national economy [23].

According to T. Basich, the stock market facilitates the movement of capital, contributes to the balanced distribution of funds for economic development [24].

Economists like S. Yudina contend that stock markets provide a venue for raising capital utilization efficiency by generating fresh investment opportunities and financial resources [25].

Research methodology.

The research employed a variety of techniques, including empirical analysis, grouping, comparison, retrospective and prospective analysis, and scientific abstraction. The essay employs the scientific abstraction approach to support the significance and need of enhancing the stock market's efficiency within the domestic economy and its integration with global stock markets. Additionally, the potential for raising the stock market's efficiency was assessed.

ANALYSIS AND RESULTS.

The national stock market plays an important role in channeling savings to investments, diversifying risks and mobilizing capital for economic development. The efficiency of the stock market in Uzbekistan is important for stimulating financial processes, facilitating long-term savings and supporting economic growth.

Securities are a crucial tool on the national stock market for transforming savings into investments, which in this instance promotes economic growth. However, obstacles to its best functioning include inadequate infrastructure and finance, convoluted regulatory frameworks, and scant investor protection measures.

It makes clear how important it is to take steps to improve the efficiency of the stock market, like drawing in both domestic and foreign investors, raising dividend income, enhancing the legal and taxation framework, creating transaction insurance programs, and guaranteeing information transparency.

The efficiency of the stock market is closely related to the quality of the market infrastructure and technological capabilities. The ongoing work on modernization of the market infrastructure in Uzbekistan, including trade systems and settlement mechanisms, is important in increasing market efficiency. In addition, leveraging technology to improve investor experience, simplify operations, and facilitate digital transactions will further improve market efficiency and attract new investors.

In our opinion, ensuring timely and complete disclosure of information on securities is one of the important processes in improving the efficiency of the national stock market and developing its integration into international stock markets. Several important directions are required to ensure these processes (see Figure 1).

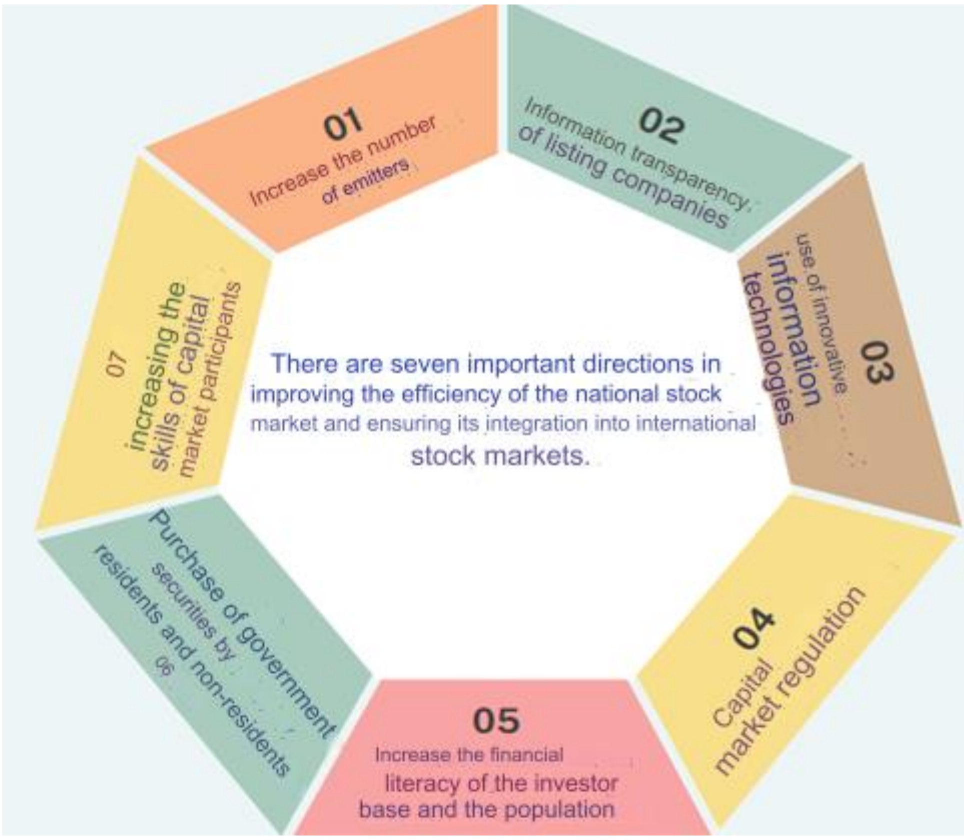

Figure 1. There are seven important aspects of improving the efficiency of the national stock market and ensuring its integration into international stock markets[1].

According to Figure 1 above, the following conclusions were systematized.

1. The first main goal is to expand the issuer's base by diversifying and increasing the number of joint-stock companies issuing securities. This can be achieved by creating a favorable environment for the development of new financial products and improving corporate governance practices. In addition, the introduction of international financial instruments such as exchange traded funds (ETFs) and Gold ETFs can solve existing problems and attract a wide range of investors.

In order to ensure transparency and accountability, it is necessary to introduce the principles of corporate governance promoted by the Organization for Economic Cooperation and Development (OECD) in all joint-stock companies. Also, the development of the corporate bond market provides alternative financing opportunities for joint-stock companies and is important for diversifying investment opportunities for investors. Encouraging privatization through measures such as public placement of state-owned enterprises on the local stock exchange not only increases market activity, but also increases economic efficiency and competitiveness.

2. The second goal is aimed at improving the infrastructure of the capital market. According to it, it envisages the creation of a single platform for disclosing corporate and market information through a single corporate information portal and relevant sections of the website of the "Tashkent" Republican Stock Exchange. In addition, transparency in disclosures by listed companies and shareholders is critical to investor confidence and market efficiency.

Making calculations by opening accounts at the Central Bank of the Central Depository of Securities, providing detailed information on issuers, types of shares, dividend payments and other relevant information on the official website of the "Tashkent" Republican Stock Exchange, creating an electronic database a set of measures aimed at simplifying processes, increasing convenience and transparency are among them. At the same time, by implementing measures to strengthen the material and technical infrastructure of the "Tashkent" Republican Stock Exchange,

[1] Independently developed by the author

to reorganize its organizational structure, to expand depository activities, to protect and manage securities and accounts, the market will increase its investment attractiveness. is an important direction in strengthening the infrastructure.

3. Within the framework of the third main goal, efforts are aimed at increasing the level of use of information and communication technologies in the capital market. This includes ensuring the continuous operation of the unified software and technical complex within the stock exchange and the establishment of a reserve center. At the same time, implementation of "Know Your Customer" and "Anti-Money Laundering" procedures for online transactions in the stock market, collection of personal data during contracts with investment intermediaries, adapted to established systems one of the main tasks is to introduce customer verification methods. Also, the Central Depository of Securities is tasked with assuming the role of a national numbering agency and implementing international ISO standards.

4. The fourth main goal is aimed at strengthening the legal regulation and control of the capital market. This includes the harmonization of regulations set by the International Organization of Securities Commissions (IOSCO) that are directly relevant to the sector. Among the main actions are the drafting of the Capital Market Law, taking measures to create a multilateral memorandum of understanding for consultation, cooperation and information exchange between the Ministry of Finance and IOSCO, proposing improvements to the operation of investment funds and making necessary changes. These measures should be implemented taking into account potential risks and the development of the country's financial market.

5. Within the framework of the fifth main goal, it is aimed at expanding the investor base and increasing the financial literacy of the population. This includes facilitating public placement, establishing procedures for ordering the purchase of state and corporate bonds, expanding opportunities for non-residents of Uzbekistan to invest in local securities. Also, encouraging the participation of joint-stock companies, cooperation with international financial institutions in the establishment of investment funds, introduction of reliable mechanisms for increasing financial literacy in the capital market sector are among the targeted tasks.

6. The sixth main goal is to develop the state securities market. According to him, it is necessary to introduce a market-making institution to expand the opportunities for residents and non-residents of Uzbekistan to purchase state securities. In addition, efforts will be focused on stimulating the growth of the secondary market of government securities, including the introduction of inflation-linked government securities. Also, we pay special attention to adapting the market of state securities to international standards, ensuring transparency, and using modern information and communication technologies.

7. Within the framework of the seventh main goal, the main focus is on creating a system of improving the skills of capital market participants through training and retraining initiatives. This includes the creation of a comprehensive educational system aimed at imparting knowledge and skills related to the regulation of the capital market. Cooperation with prestigious foreign educational institutions in the development of educational programs and creation of institutional frameworks for increasing personnel capacity are the main components.

In our dissertation, we developed an economic schematic mechanism for the development of the national stock market and its integration into international stock markets (see Figure 2).

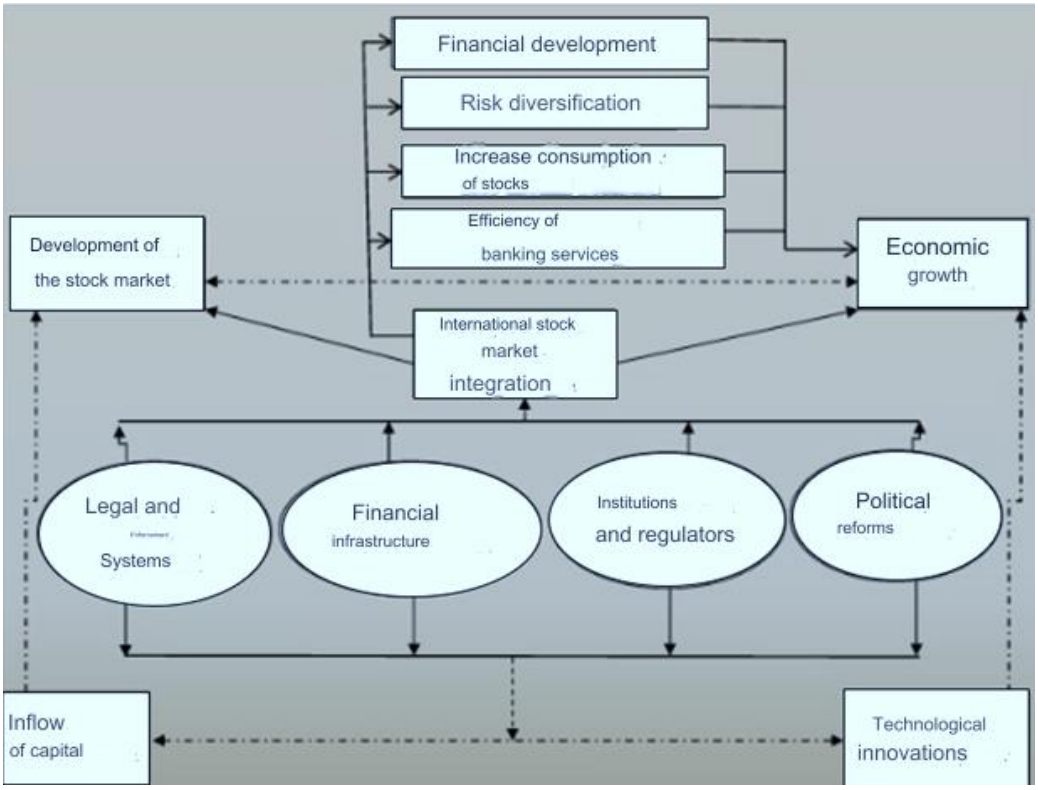

Figure 2. The economic schematic mechanism of ensuring the development of the national stock market and its integration into the international stock markets[2]

The development of the national stock market is critical for promoting economic growth, enabling risk diversification, and bolstering financial development, according to the schematic process described above. The stock market's trajectory is determined by various factors, including technical innovation and financial inflows. investigates the effects of capital flows and technological innovation on financial development, risk diversification, economic growth, and integration into global stock markets, as well as the relationship between these factors and the growth of national stock markets.

The national stock market grows as a result of capital flow, which is defined by investments from both domestic and foreign sources. Raising money through FDI (foreign direct investment), IPOs (first public offerings), and portfolio investments can assist boost market capitalization, improve liquidity, and draw in new investors.

Technological innovations affect the activity of the stock market by introducing electronic trading platforms, algorithmic trading systems and high-frequency trading methods. The integration of advanced technologies improves market efficiency, increases transparency and reduces transaction costs, thereby attracting more investors and increasing trading activity. Capital inflows and technological innovations stimulate financial development and diversify risks in the national stock market. Increased capital flows increase investment opportunities, allowing companies to raise capital for expansion and innovation.

In addition, technological innovation facilitates the introduction of new financial products, such as derivatives, exchange-traded funds (ETFs) and structured products, which provide ways to diversify risks and optimize portfolios. 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. The integration of advanced banking technologies improves convenience, comfort and

[2] Independently developed by the author

security, encouraging individuals and institutions to invest in securities and carry out financial transactions.

CONCLUSION.

As a result of the analysis and conclusions on the development of the national stock market and ensuring its integration into the international stock markets, the following suggestions and recommendations were developed.

1. In the practice of integration into the international stock market, technological innovation contributes to economic growth by stimulating investment, promoting innovation and improving market efficiency. Foreign direct investment and portfolio inflows create employment opportunities, stimulate technology transfer and stimulate economic activity.
2. Technological innovation increases productivity, fosters entrepreneurship and stimulates economic diversification. However, supportive legal and enforcement systems are critical to realizing the full potential of capital flows and technological innovation. Clear and enforceable regulations, an effective legal framework, and transparent governance structures create an environment conducive to capital flows and technological innovation, thereby ensuring sustainable economic growth.By effectively financing the logistics system, they will create a financial basis for the development of their activities, moving socially important goods, for example, basic food products, to a new level in terms of quality, moving them faster and at a lower price within the country.
3. Capital flows through the stock market and technological innovation also affect the financial infrastructure, institutions and regulators in the national stock market. Increased capital flows require the development of robust financial infrastructure, including trading venues, clearing and settlement systems, and market surveillance mechanisms.
4. Technological innovation requires regulatory frameworks to adapt to emerging market dynamics, ensure investor protection, market integrity and systemic stability. Effective collaboration between regulators, market participants and technological innovators is essential to ensure regulatory compliance, encourage innovation and maintain market confidence.
5. In conclusion, the growth of the domestic stock market and its integration into global stock markets depend critically on the interaction between the influx of capital through the stock market and technical advancements.
6. Practices in the stock market encourage liquidity, strengthen financial development, and aid in risk diversification; technical innovation boosts market efficiency, expands accessibility, and encourages economic expansion. Countries may secure financial processes and economic growth by creating an atmosphere that is favorable to capital flows and technological innovation, thereby unlocking the full potential of their national stock markets.

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