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## **INCREASING THE ROLE OF STOCK MARKETS IN IMPROVING FINANCIAL MANAGEMENT MECHANISMS**

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### **Abstract**

This article analyzes how the stock market is useful for corporations and investors. The main factors that provide liquidity, capital growth and economic stability for investors are highlighted. The impact of market capitalization on the economy, its contribution to corporate development and its relationship with global financial markets are also considered. Particular attention is paid to the importance of the stock market in the development of the economy and the implementation of new technological projects. The strategic importance of the market is demonstrated on the example of international exchanges.

The article draws conclusions on ensuring efficiency and sustainability by studying the specific aspects of financial practices, as well as the role of capital markets and the legal environment, using the example of US joint-stock companies. The article also discusses the directions of introducing foreign experience into Uzbek joint-stock companies.

### **Keywords**

joint-stock companies, financial strategy, capital markets, innovative technologies, corporate governance, legal environment, global market

### **INTRODUCTION**

The characteristics of foreign joint-stock companies' finances depend on the economic, legal, and corporate governance systems of their countries. The financial strategies and practices of such companies clearly reflect the specific characteristics of developed countries and regions. An in-depth analysis of these characteristics using the examples of the United States, Europe, and Asian countries allows us to understand their efficiency and sustainability. Research by Harvard University shows that joint-stock companies in Asia are developing financial models using innovative technologies[1]. For example, in China, the digital economy and the use of technologies such as blockchain and artificial intelligence are widespread.

It should be noted that each The economic environment of the country plays a decisive role in the finance of joint-stock companies. The financial activities of joint-stock companies in the United States are formed mainly through market mechanisms. In this country, capital markets are highly developed, which allows companies to quickly and efficiently attract financial resources. In Asian countries such as the Republic of Korea and Japan, long-term development strategies are a priority, and vertical integration is carried out to a high degree through the "chaebol" and "keiretsu" systems.

However, the US financial system is characterized by its market orientation. In such a system, joint-stock companies raise their main sources of finance through capital markets. The New York Stock Exchange (NYSE), NASDAQ, and other major financial institutions play a crucial role in the financial activities of companies.



In particular, the interrelationship between the legal system and the financial system plays a special role here. Because the legal system is an important factor ensuring the stability and transparency of the activities of joint-stock companies. In countries based on the Common Law legal system (for example, the USA and the UK), the rights of shareholders are highly protected, which increases their confidence in investing[2]. According to the 2022 World Bank report, the legal environment has a positive impact on corporate finance and protects the interests of shareholders[3].

Understanding the characteristics of the finances of foreign joint-stock companies is important for ensuring their efficiency and sustainability. A systematic approach based on the economic, legal and corporate culture of the country will help companies to successfully operate in the global market. Therefore, one of the important tasks is to conduct a thorough analysis of foreign experience and introduce its appropriate directions for Uzbek joint-stock companies.

### **LITERATURE REVIEW**

Assessing the level of capitalization in joint-stock companies in the United States and its impact on financial markets, Harvard University professor Robert *J. Shiller* argues that “in the United States, financial markets determine the value of companies in accordance with real market demands, which ensures transparency and efficiency in the economy.”[4] Robert Shiller’s *Irrational Exuberance* extensively discusses the relationship between capitalization and financial markets. Market capitalization reflects the total value of a company’s shares and is one of the main economic indicators in the market. According to Shiller’s theory, capitalization indicators depend not only on the structural state of the market, but also on the psychology of market participants. R. Shiller states that “capitalization shapes the behavior of market participants. The state of optimism or pessimism among market participants affects the value of assets.”[4] The 2008 financial crisis can be cited as an example of the relationship between capitalization and financial markets. As a result of the problems that arose in the world banking system and the bursting of financial bubbles, the capitalization of many companies sharply decreased. Thus, R. Shiller, with his approach, showed that the tendency of market participants to behave irrationally played an important role in financial crises.

Today, international financial governance is also facing challenges – financial crises, imbalances in global capital flows and rising financial risks are posing new challenges to the world economy. But at the same time, there are also growing opportunities to make this system more efficient and sustainable through digital finance, blockchain technology and international cooperation. Former World Bank President Robert Zoellick has said: “New digital technologies can increase transparency, reduce risks and improve the investment climate in international financial governance”[5].

In his research, MA Ergashev raised the issue of ensuring the timely fulfillment of obligations by joint-stock companies, increasing additional investment opportunities, and increasing financial stability through the widespread introduction of innovations into production processes, as well as the main elements of a modern financial management mechanism for joint-stock companies[6].

According to SE Elmiraev, investor activity is directly related to the types of instruments in the securities market and the possibility of diversification. It is this aspect that serves to make optimal financial decisions based on the comparison of the profitability and riskiness of financial instruments. In this regard, determining the market profitability of bonds as securities with guaranteed income, determining the level of income for stocks, etc. is of particular relevance[7].



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## RESEARCH METHODOLOGY

The research used methods such as a systematic approach, comparative and comparative analysis, generalization, grouping, complex assessment, and abstract-logical thinking.

## ANALYSIS AND RESULTS

Global financial strategies require that corporate financial management mechanisms, financial documents, and reporting comply with international standards. This ensures the company's transparency in the global financial system and serves as a reliable source of finance for foreign investors.

It should be noted that international financial management mechanisms serve to conduct financial policies of companies and states in an effective and integrated manner. These mechanisms are aimed at ensuring financial stability, attracting investment and managing financial risks at the international level. This is because: First of all, one of the main tasks of international financial management is to monitor and forecast changes in exchange rates. Such mechanisms help to make strategic decisions in investment management by analyzing the factors affecting the prices of currencies in world markets. At the same time, significant fluctuations in exchange rates can have a serious impact on international trade and investment.

The second aspect is financial risk diversification. Investors and companies try to reduce risks by spreading their capital investments across different financial instruments and markets. Participants in international financial markets must adapt to the laws, tax regimes, and economic environments of different countries.

Another important aspect of international financial mechanisms is the flow of capital. Capital flows in international markets are largely dependent on the investment activities of transnational corporations. Therefore, companies conduct financial monitoring and analysis, consisting of serious research, in order to effectively manage their capital, generate profits and achieve positive fiscal results.

It should be noted that the stock market, as the most important component of the financial market, serves to ensure the dynamics of the economic system and the development of production. This market is where shares, that is, securities issued by corporations, are traded. In 2023, the total capitalization of stock markets around the world exceeded 120 trillion. US dollars. This figure indicates the scale and importance of the capital market in the world economy[8]. As is known, the stock market mainly performs two important tasks: attracting capital and providing liquidity for investors. Also, regulating the market and ensuring transparency are among its main functions.

The digital economy is increasingly playing a role in corporate finance today. In the US, companies like Apple and Microsoft have improved their financial strategies through digital platforms. In China, companies like Alibaba and Tencent are using blockchain technology and artificial intelligence to stay competitive in the market.

In the United States, joint-stock companies play an important role in the country's market economy. The specific features of the finances of such companies are determined by the level of market development, the effectiveness of the legal system, and the culture of corporate governance. The financial system of US joint-stock companies has a significant impact on the development of world financial markets.

A high level of market capitalization creates ample financial opportunities for companies. For example, as of 2024, the total market capitalization of the NYSE exceeded 25.0 trillion US dollars. This provides US companies with sufficient resources to compete in the global market[11].



Insurance companies, on the other hand, have a stable share of 20%, mainly pursuing a long-term and stable investment policy. Their assets are low-risk and are directed to cover insurance liabilities and maintain the stability of the financial system. These figures show how institutional investors effectively participate in the mechanisms of financial markets[12]. They not only contribute to sustainable economic growth, but also provide the necessary stability and liquidity for financial markets.

Overall, institutional investors are strategic drivers of economic growth, and their role in financial markets is expected to continue to grow in the future.

Institutional investors often use technical analysis and fundamental analysis. They analyze financial markets, companies, and economic conditions as they construct their portfolios, making decisions based on long-term strategies. These strategies play an important role in volatile markets and provide additional benefits to investors. For example, large hedge funds and pension funds tend to have diversified portfolios, which gives them significant exposure to movements in debt and equity markets.

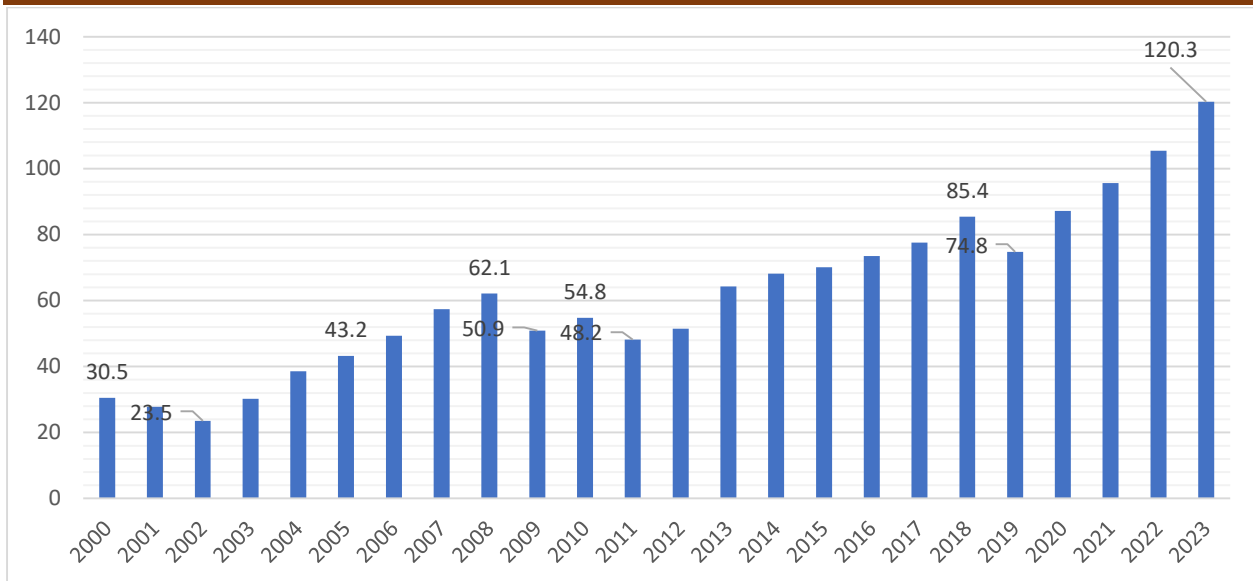
Institutional investors act as a major source of liquidity in financial markets. They often carry out large-scale transactions, which ensures the stability of market prices.[13] Liquidity, i.e. the rapid and efficient sale of assets, increases the efficiency of the market, while also increasing the attractiveness of the market. Institutional investors also help to adapt to economic and financial changes through their strategies.

Institutional investors can be defined as individuals who play a key role in financial markets, ensuring liquidity and stability. They are able to implement a variety of investment strategies to achieve their strategic goals.

The impact of stock market development on the economy is significant. In this sense, the stock market creates a solid foundation for economic development. The development of the capital market contributes to the growth of the corporate sector and the implementation of new technological projects. The stock market also plays an important role in improving trust and trading conditions between investors and the public sector.

Because of this, the stock market in each country is of great importance. For example, the New York Stock Exchange (NYSE) and Nasdaq in the United States, the London Stock Exchange in the European Union, and the Tokyo Stock Exchange in Japan are the largest sources of international capitalization. The stocks traded on these exchanges often affect the global economy.

The stock market, through its capitalization, determines the activities, development and economic pace of the economy. The growth of this market, in turn, indicates the state of global and local financial markets. Any changes related to the stock market affect not only the strategic decisions of corporations, but also the stability of the world economy. Thus, the stock market, through its capitalization, more clearly indicates economic progress, development and changes.



**Figure 1. Trends in total capitalization in the world economy, in billion dollars [9]**

Institutional investors play a key role in financial markets because their strategies and capital allocation practices help to ensure market stability and liquidity. Institutional investors typically have large amounts of capital and long-term strategies, and their decisions often shape trends in global financial markets.[13] These investors use their capital to hedge risk and generate higher returns through diversified portfolios. They help to maintain liquidity in markets and ensure that prices are accurate and transparent.

Institutional investors have a major impact on providing liquidity in financial markets. They invest large amounts of money in stocks and other assets, which stabilizes the demand for stocks and bonds in the market. This, in turn, allows assets to be bought and sold quickly and easily. For example, large pension funds and investment companies provide liquidity in the market when they sell large amounts of stocks or bonds.

Due to their role in strategic decisions and risk management, institutional investors strive to make sound investment decisions in order to accurately allocate risks and generate profits. They analyze market interactions and economic conditions and invest in a variety of assets. These strategies help ensure portfolio stability, minimize risk, and generate high returns.

Institutional investors, especially large pension funds, hedge funds, and trust companies, tend to have diversified strategies. These strategies help to minimize risk and increase returns through diversification. For example, hedge funds often invest in multiple asset classes and also leverage financial products (stocks, bonds, derivatives) in a variety of ways.

Institutional investors play a key role in responding to macroeconomic trends and global conditions in financial markets. They respond quickly and accurately to changes in the global economy, which helps them make effective trading decisions.

Institutional investors play a large and important role in financial markets. Through their investment strategies, portfolio diversification, liquidity provision, and risk management, they ensure stability and efficiency in the market.



The research is related to the characteristics of the finances of foreign joint-stock companies and their importance in financial innovations. It has been shown that financial innovations are of great importance in increasing the financial stability and efficiency of foreign joint-stock companies.

US corporations are leading the way in financial markets with their innovative approaches and efficient capital management. They are widely using new financial instruments, including bonds, various types of stocks, and derivatives. Such innovative approaches have given US financial markets an edge in global competition.

New financial instruments, including bonds, stocks, and derivatives, play a key role in improving the efficiency of financial markets. They allow companies to raise capital, manage risk, and provide diversification for investors. Derivatives, such as futures and options, also allow companies to manage the risks arising from price movements. All of these are important tools for ensuring dynamic growth and global competitiveness in financial markets:

- Bonds and Stocks. U.S. companies issue a variety of bonds and stocks to raise financial resources. For example, preferred stock and convertible bonds are used to provide diversification in the capital markets.

- Derivatives. Companies use derivative instruments, such as futures and options, to manage risks in exchange rates, interest rates, and commodity prices. They help maintain stability in capital markets and reduce risk.

Innovative financial strategies, especially in the United States, are an important tool for improving the efficiency of financial markets and ensuring global competitiveness. These strategies include practices such as IPOs (initial public offerings), share buybacks, and venture capital investments. For example, technology companies raise large amounts of money through IPOs, which helps them develop innovative projects and strengthen their market position. Stock buybacks also help companies increase their share prices and create additional benefits for investors. Venture capital plays an important role in financing new startups, which in turn contributes to economic development:

- IPO (Initial Public Offering). Technology companies raise huge amounts of money through IPOs. For example, companies like Apple, Google, and Amazon have raised billions of dollars in capital through their IPOs. These funds are used to develop the company's innovative projects and strengthen its position in the market.

- Stock Buybacks. Many large corporations, such as Microsoft and Apple, use stock buybacks. This is an effective way to keep the stock price high in the market and support investors.

- Venture capital and startup support. US financial strategies are focused on supporting innovative startups. For example, venture capital funds have made a significant contribution to the development of companies such as Tesla, Uber, and Airbnb. Such approaches increase the share of innovation in the economy.

- SPAC (Special Purpose Acquisition Companies). SPACs are widely used in the US to accelerate future IPO processes. These companies are an effective tool for providing liquidity in the market and allowing private companies to go public.



Table 1

Statistics on the use of new financial instruments by US corporations [3]

Year	Funds raised through IPOs (billion dollars)	Derivatives market share (%)	Value of shares repurchased (billion dollars)
2019	56.2	38	729.2
2020	168.0	40	757.0
2021	332.2	42	850.0
2022	97.2	41	770.5
2023	123.9	43	800.3

As can be seen from the data in Table 1, US joint-stock companies are leading the way in implementing innovative strategies in the financial market. One of the main aspects of their financial planning is raising large amounts of money through IPOs (initial public offerings). In recent years, and in particular in 2021, the amount of money raised through IPOs has reached a record high. This is due to the increase in the market share of technology companies. For example, large companies such as Rivian and Robinhood raised large amounts of money through IPOs that year.

Developments in the derivatives market are also an important part of the financial strategy of US companies. From 2019 to 2023, the market share of derivatives has grown steadily, reaching 43%. This indicates an increasing need for the effective use of innovative tools in financial risk management. In particular, the effective use of derivatives has been achieved in maintaining or increasing the value of assets.

In addition, US companies have been actively pursuing share buyback strategies. For example, corporations such as Apple and Microsoft are strengthening market confidence by buying back their shares. This process has been particularly important in stabilizing the investment climate and strengthening share prices over the past five years.

Innovations in the financial strategies of US corporations play a key role in maintaining and developing their competitiveness in the global financial market. New financial instruments, including bonds, convertible shares, and derivatives, allow corporations to effectively manage capital and reduce risk. IPO strategies, in turn, allow companies to attract large investments, which helps to finance their innovative projects and strengthen their competitiveness.

Venture capital-based strategies are aimed at supporting new and innovative startups, the development of which is essential for meeting the global economy's demand for new technologies. The financial strategies of US companies today, their innovative approaches and the use of new financial instruments have a huge impact not only on the domestic market, but also on the international level. These mechanisms also serve as an example for companies in other countries, supporting their economic development.

**CONCLUSION**

At the same time, the innovation in financial strategies of US companies and their ability to adapt to competition in the international market make them leading financial institutions in the world and seek to maintain their leading position in the international financial market by applying innovative strategies. The effective use of tools such as IPOs, derivatives, and share repurchases is a key factor in achieving this goal. These strategies help to further increase the global prestige of the US financial market and play an important role in increasing innovation and competitiveness in the global economy. They allow attracting not only domestic but also international investments. For



example, the total value of derivatives issued by US companies accounts for 40% of the global derivatives market.

Cooperation between the state, the private sector and international financial institutions is essential for Uzbekistan's integration into international financial markets. This will help ensure, first of all, the proper allocation of the country's financial resources, effective management of external debt and the use of financial assistance programs. Uzbekistan's participation in the international financial system can be noted in a number of ways, which will serve to attract investment to the country, stimulate trade relations and ensure economic stability. In particular:

- Uzbekistan's participation in financial markets can be expanded by improving cooperation between the public and private sectors, including the development of public-private partnership projects. This will help improve the business environment and create more attractive conditions for investment:

- It is recommended to deepen cooperation with international financial organizations and increase access to their financial and technical assistance programs. This will greatly contribute to the implementation of economic reforms and the development of infrastructure.

- It is necessary to create mechanisms for effective management of the country's internal and external financial resources. This will help increase the efficiency of budget funds and reduce the external debt burden.

- It is important to improve the investment climate by creating favorable conditions for international investors, including by providing tax incentives, legal guarantees, and transparency.

- It is recommended to develop Uzbekistan's foreign trade relations by strengthening participation in international trade organizations and integration associations. This will open up new markets for national products.

- The introduction of digital financial technologies and innovative instruments is essential to strengthen integration with international financial markets. This will increase efficiency and facilitate access to financial services.

Also, cooperation with international financial institutions, such as the International Monetary Fund and the World Bank, is crucial for the development of Uzbekistan's financial market and corporate sector. These organizations can help Uzbekistan achieve economic reform and financial stability, as well as provide strategic assistance to support development.





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