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ANALYSIS OF PUBLIC PARTICIPATION IN THE STOCK MARKET

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Abstract: *It should be noted that increasing the competitiveness of the country's economy and modernization of economic sectors, increasing financial literacy of the population requires full use of the financial system, including capital markets, and raising this system to a qualitatively new level. This paper analyzes the public participation in stock market.*

Keywords: *finance, financial literacy, financial decisions, stock market, Tashkent Stock exchange.*

1. Introduction.

Financial literacy is manifested in making effective financial decisions through proper management of their funds, cash flow analysis, and proper risk diversification. It follows that knowing the properties of securities and risk management using them effectively is also a task that a financially literate person should be aware of. It is natural that the question arises as to what securities are used in Uzbekistan to carry out these tasks and what is their effectiveness. According to the Law of the Republic of Uzbekistan "On Securities Market" No. 387 of 03.06.2015, there are two main types of securities: shares and bonds. Investors can only invest using these types of securities or form investment portfolios. If attention is paid to the characteristics of the securities, stocks and bonds are considered long-term in terms of maturity. The liquidity level of long-term securities is low. It is believed that a financially literate person should also ensure the liquidity of their assets.

Based on the tasks to be performed and to be performed by a financially literate person, we classify securities into a group of securities with high liquidity and low interest rate risk.

High Liquidity Securities: These types of securities are mainly securities with a maturity of up to one year. This can include securities issued by the government and securities issued by enterprises. Securities issued by the state are treasury obligations of the Republic of Uzbekistan and bonds issued by a body authorized by the Cabinet of Ministers of the Republic of Uzbekistan, as well as bonds of the Central Bank of the Republic of Uzbekistan. The level of liquidity of these, which will be issued for up to a year, is high. These types of securities are more convenient than holding cash.

Commercial paper is one of the most liquid securities issued by enterprises.

A commercial security is an unsecured form of security that pays a fixed interest rate. It is typically issued by large banks or corporations to meet short-term financial obligations, such as repaying short-term receivables and financing a new project. As with other types of bonds or loans, the issuing entity issues both interest and an obligation to pay principal. It is rarely used as a means of financing long-term liabilities because other options are suitable for this purpose.

Development of the stock market as an alternative source of capital attraction and placement of free resources of enterprises, financial institutions and the population is identified as one of the main tasks in the Action Strategy for the five priority areas of development of the Republic of Uzbekistan in 2017-2021.

The Address of the President of the Republic of Uzbekistan Sh. Mirziyoyev to the Oliy Majlis on the most important priorities for 2019 also states that the development of financial markets, including the stock market, is one of our main goals in the new economic environment.

As an initial stage of reforms in this area, based on the experience of other countries, the Presidential Decree No. 5630 of 14.01.2019 established an independent state body - the

Capital Market Development Agency, whose main tasks are the formation, development, regulation and corporate governance of the securities market. implementation of a unified state policy in the field.

According to the Capital Market Development Agency, the total nominal value of shares issued today is more than 100 trillion soums, of which only 1.5% are in free circulation. This is less than 1 per cent of GDP, with 188 per cent in Singapore, 112 per cent in Malaysia and 34 per cent in Russia. This situation shows that the capital market in Uzbekistan has great potential to increase the quality and quantity of the role of intermediaries between investments and funds in the country's economy.

This requires the development of a long-term strategy for the development of the capital market, which provides for the issuance and circulation of securities, a wide range of measures to attract investment, develop corporate governance and increase financial literacy of the population.

This strategy eliminates the obstacles to the development of the stock market, harmonizes the laws and regulations governing the market with the requirements of developing countries ("frontiers market"), creates an ecosystem of the financial market, which includes brokers, pension funds, insurance companies, banks, the formation of effective institutions used in the world practice of attracting idle funds to the stock market.

It is noteworthy that in 2019, with the support of the European Bank for Reconstruction and Development, the Asian Development Bank and a number of other international experts, a draft strategy for the development of Uzbekistan's capital market for 2020-2025 was developed and discussed among the general public. One of the main tasks of this strategy is to increase the ratio of total securities in free circulation to GDP by at least 10-15% by the end of 2025.

2. Literature review.

Numerous studies have been conducted on financial literacy, raising its level, identifying and enhancing the importance of financial literacy in making effective financial decisions. In particular, scientific articles and works by Lusardi and Mitchell (2008) have developed questions to determine financial literacy. In an effort to combine data on financial literacy with data on financial behavior, Lusardi and Mitchell (2011) have pioneered inserting questions measuring financial literacy into major U.S. surveys. According to the research of Klapper, Lusardi, Van Oudheusden (2015), people have very little knowledge about risk and diversification. They claim that financial literacy is important for us so that we may align ourselves with the financial economy and derive benefits of financial inclusion. In fact, financial literacy is the first step towards financial inclusion. Financially literate citizens willingly demand to be included in the financial economy According to a study by Allianz (2017), in developed countries such as Austria, Switzerland and Germany, only 20 per cent of the population have fully answered all 3 questions on financial literacy.

Economists in the CIS Litvinova (2016), Sergeychik and others (2015), claim that from the point of view of organizational issues and the use of various methods, educational resources, world experience can be very useful for Russia, which has embarked on the path to financial education and has turned to a strategy to improve the financial literacy of the population. Based on foreign experience, Ivanova (2016) studied the development of financial literacy through higher education, financial literacy as a means of increasing human capital, as well as the institutional basis of financial literacy.

3. Methodology.

The paper uses qualitative approach for analysis, which means the comparison of volume of securities in exchange market and number of contracts by individual and legal entity investors. Moreover annual yield of TOP 10 securities in stock exchange. All information and data collected from formal sources and analyzed according to the methodology.

4. Analysis and results.

In recent years, the participation of the population in the securities market in Uzbekistan is growing, and the population is trying to direct their vacant funds to the securities market.

In 2020, legal entities participating in the securities market sold shares for 332.1 billion soums and bought them for 375.9 billion soums. Individuals bought shares for 172.3 billion soums and 128.5 billion soums. Despite the difference in the volume of transactions, it is clear that the volume of shares sold by individuals exceeds the volume of purchases (Figure 1).

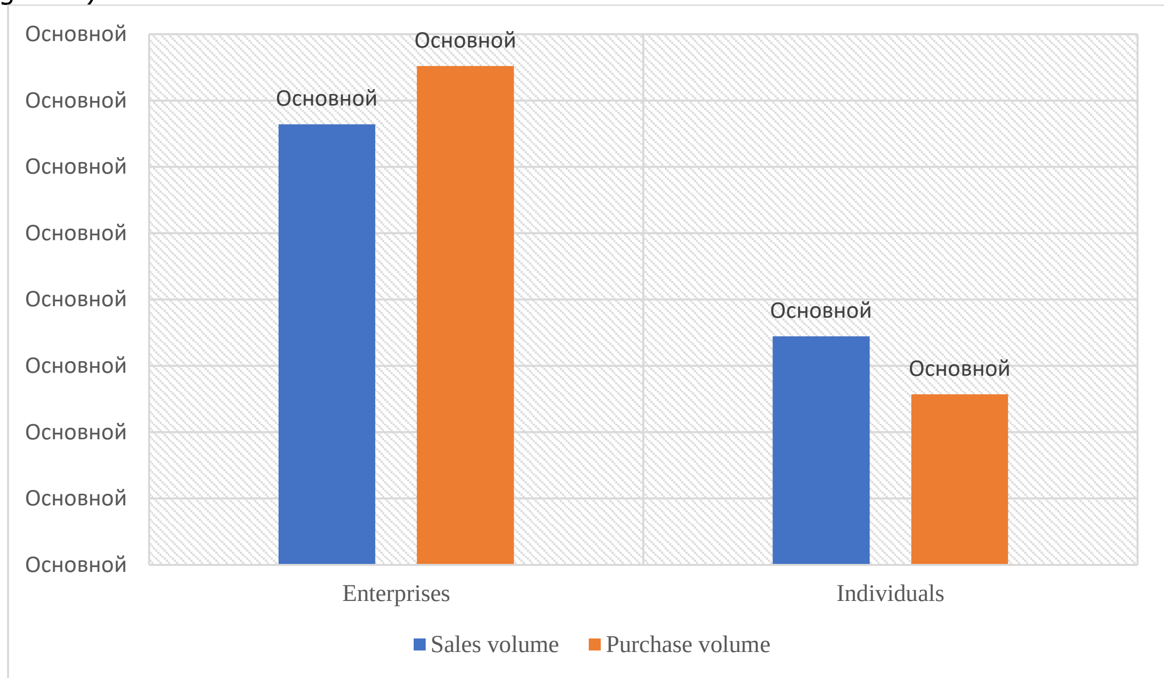

Figure 1. Volume of trades in securities of legal entities and individuals (as of 2020, billion soums)[1]

The number of transactions concluded by individuals exceeds that of legal entities. At the same time, the number of transactions in which an investor buys shares (both between individuals and legal entities) is equal to the number of transactions that result in the sale of shares (Figure 2).

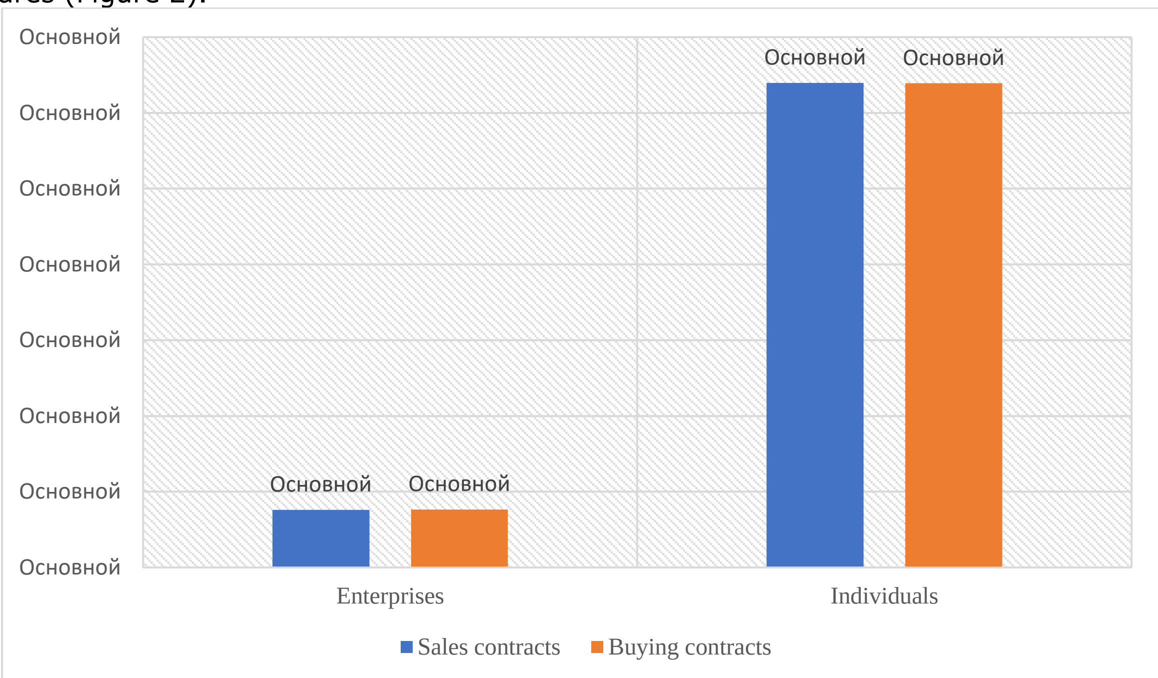

Figure 2. Number of contracts of purchase and sale of securities by legal entities and individuals[2]

[1] Tashkent Stock exchange reports
[2] Tashkent Stock exchange reports

Taking into account the change in quotations, as well as the dividends paid among the best-selling stocks in 2020, the annual profitability of the stock market is as follows.

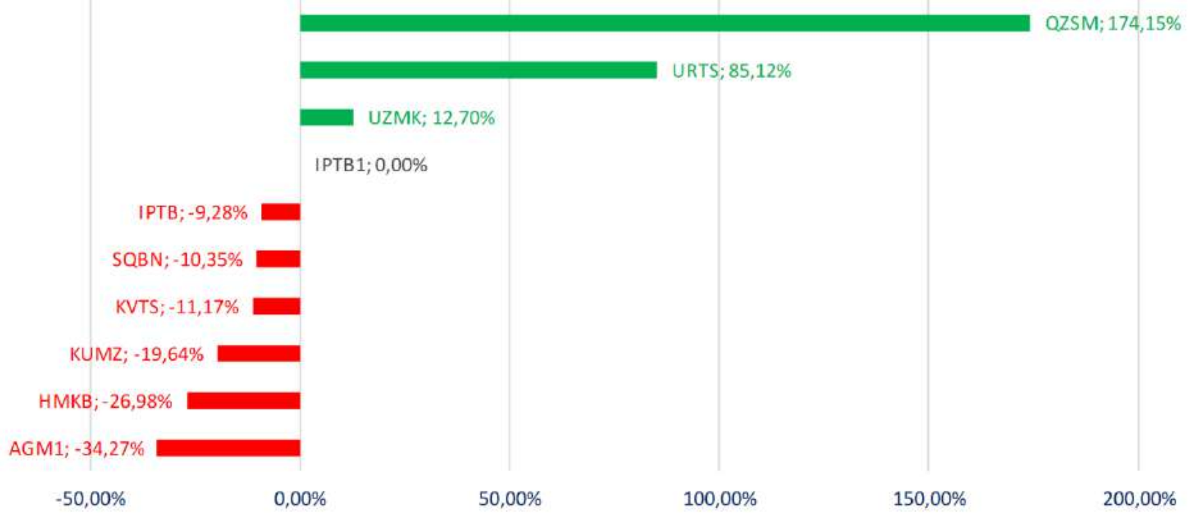

Figure 3. Annual yield rate of Top 10 shares by number of trading contracts

Despite the high number of contracts on shares of the above-mentioned issuers, only 3 of them have an upward trend, ie a good return to the shareholder, and 6 have a decrease in market value and a decrease in shareholders' money.

5. Conclusion.

During the year, only 3 of the Top-10 shares in terms of number of transactions were positive and 1 was zero. 6 out of 10 shares had a negative impact on annual earnings. High annual yields were observed in the shares of two issuers - JSC "Kyzylkumsement" (QZSM) and JSC "UzEX" (URTs). The annual return on ordinary shares of OJSC "Kyzylkumsement" (QZSM) was more than 174%: the first deal of the year - 1590 soums per share, the last deal - 3898.99 soums. In addition, dividends of 460 soums were paid for each ordinary share during the year. The first deal of the year with ordinary shares of UzEX JSC (URTs) was made for 17,000 soums. Capitalization of common shares was carried out during the year, resulting in the addition of two additional shares for each ordinary share owned by the shareholder. Thus, the adjusted price of the first transaction amounted to 5666.67 soums. The final transaction price in 2020 was set at 8,000 soums per ordinary share, which together with dividends paid at 2,490 soums per ordinary share, represents an annual yield of 85.12%. This may be due to the fact that the stock purchase analysis was not well conducted.

The Central Bank of the Republic of Uzbekistan has reduced the base rate twice during 2020: on April 15 - from 16% to 15%; September 10 - from 15% to 14%. Both changes in interest rates also affect individuals ’long-term investment decisions.

To achieve the set tasks, expand and diversify the investor base, increase the demand for securities by improving financial literacy, increase the number of issuers and expand the supply of securities through new financial instruments, improve the legislative and regulatory system, improve capital market infrastructure and institutionalize the capital market coordinating body. Capacity building should be identified as a key area of the strategy. Therefore, it can be said that one of the main tasks for the next year is to adopt this strategy and ensure the continuity of implementation of the measures set out in it.

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