

WHAT FACTORS INFLUENCE THE ACTIVITY OF RETAIL INVESTORS IN THE CAPITAL MARKET

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Annotation

The article examines the factors affecting the activity of retail investors in the capital market. As a result of the studies, these factors were brought into one system and scientific proposals and practical recommendations were developed based on the experience of foreign countries to increase the activity of retail investors in the capital market in Uzbekistan.

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Introduction

The world experience of investment activity shows that economic growth cannot be carried out without an effective national capital market. "And the developed national capital market contributes to the growth of the economy as well as the formation of a community of owners" [1] and vice versa, the presence of a class of owners in the economy has a positive effect on the activity of retail investors in the capital market. In a market economy, each individual directs his personal funds to investments in order to improve his financial situation and increase his income. Today, the implementation of this activity without the financial market is a somewhat complex issue, which at least has to compromise the financial market on the need to carry out resource transaction through the banking system. Today's development trends of the financial market show that a large part of the world's population (mainly in developed and developing countries) is trying to increase their excess financial resources through the capital market and direct their savings to stock instruments. In particular, in the United States, 52% of households invest directly or indirectly in the stock market. The main reasons for this cannot be exaggerated if we say that in the world there are types of financial instruments intended for investors in any category of stock instruments (attitude to income, attitude to risk, area accountants and even the religious affiliation of the investor).

Retail investors have a positive impact on capital movement in sectors of the economy, aiming to increase their capital through the fact that they direct their savings to investments. In addition, another positive aspect of the investment direction of retail investors in the capital market is that the investor takes responsibility for his future economic well-being. In recent years, capital orientations of retail investors to the financial market have become more active due to the trend of constant growth of the price of financial assets in the international market. Companies operating in the financial market (banks,

stock exchanges, insurance companies, brokerage organizations, and etc.) in order to increase the number of its customers, the volume of services, it is positively assessed that they are offering them on the market day by day, developing new innovative technologies, new service types and new trading platforms. But as a result of this, the source of information expands, and it becomes more and more difficult for investors in the market to find reliable information, and the possibilities of their protection are decreasing. And it's no secret that it is important to increase the level of financial literacy in the general population in order to avoid such risky situations. Taking into account the above, in this article we will try to analyze in simple terms, systematizing the factors affecting the activity of retail investors in the capital market.

Review of literature on the topic

Russian economist B.Podgorny CIS countries in particular, the Russian Federation conducted research on the ways of development of the stock market and attracting the capital of owners to the national economy through the stock market [1].

Factors affecting the activity of retail investors in the stock market were studied by Swedish scientists Johan Almenberg and Anna Drebers. In his scientific work, he focused on the activity of retail investors in the study of their participation in the stock market by age and gender. They also studied the effects of financial literacy of retail investors on their participation in the stock market [2].

Chinese scientist Ming Gao studied the participation of households in the stock market in his scientific work on this topic. In doing so, he focused more on the factors that influence the desire of households to make investments in the stock market. In doing so, a study by the scientist focused on studying the impact of household income on their activity in the stock market [3].

From our local scientists N.M.Makhmudov and N.R.Avazovs in their scientific treatises, conducted research on ways to effectively use investments in the development of the economy of Uzbekistan. In this, the authors carried out research on investment attractiveness, factors that influence the orientation of investment in industries and the economy [4].

S.E. Elmirzayev covered such issues as the dividend policy in developed countries, issues of financial support of the activities of corporate structures at the expense of their own funds and borrowed funds, ways of attracting foreign capital to the activities of enterprises, determination of capital prices, assessment of the profitability of financial assets, both theoretical and practical in his research [5].

F.T.Muxamedov focused on the study of trading mechanisms on stock exchanges in his scientific research. The convenience of trading processes of trading mechanisms for participants, the impact on the volume of capital directed to the stock market, the volume of capital directed to the country's economy and the stock market through exchange trading systems have been studied [6].

Research methodology

This article used methods of comparison, scientific abstraction, induction, deduction, analysis and synthesis of factors affecting the activity of retail investors in the capital market from international experience.

Analysis and results

The main issue in attracting investors to the capital market is the profitability and liquidity of the instrument, in addition to these aspects, it is indisputable that the conditions created for the investor in the capital market also play an important role. That is, this is the reason for providing investors with reliable information, introducing convenient platforms for trading activities, optimizing trade rules and mechanisms. In recent years, great emphasis has been placed on freedom of information (open data) in Uzbekistan. The launch of the corporate information single portal site in this regard serves as an important source of information for investors to receive information about companies in Uzbekistan.

However, the fact that information on this site is not updated on time requires the introduction of systematic work.

In order to improve trade platforms and mechanisms in the capital market and create additional opportunities for investors, in 2012 a “unified software and technical complex“of the Korean Stock Exchange was brought” in exchange for a 25% (-) action of the “Tashkent” RFB[13]. In this complex, the HTS (Home trade system) and MTS (Mobile trade system) software, which provide an opportunity for investors to participate in remote trading, were integrated into the trading processes. In addition, the UZCE mobile GB mobile application was launched in 2022 in order to create more convenience for participants in the trade of the Republican currency exchange. The application provides”viewing information on the parameters of auctions in the market of state securities, canceling entered orders, concluding transactions for the sale or purchase of state securities, performing REPO transactions and viewing their results, obtaining exchange information – quotes, exchange news and analytical materials or other exchange information related to this market” [11] opportunities, and it is no mistake to say that But the fact that none of the above-mentioned trading platforms has a “DMA” (Direct Market Access-a system that provides direct access to Electronic Funds Management, orders for trading, as well as direct access to exchange trades and facilitates daily transactions with securities), which provides investors with a good level of financial literacy, creates some inconvenience for the population. Because today, as a result of the development of a competitive environment for the capital market, we can see in international practice the possibility of online authorization in participation in stock market trading through applications such as “TD Ameritrade, Fidelity, Webull, SoFi, tastyworks, Ally”in the highest ranking[15], the non-requirement of commission payments, the reduction of brokerage companies ' brokerage fees to zero “

What we have already considered above, we will consider in the image below, citing in one system the factors that influence the reliable functioning of retail investors in the direction of investment in the capital market, in groups of 3.

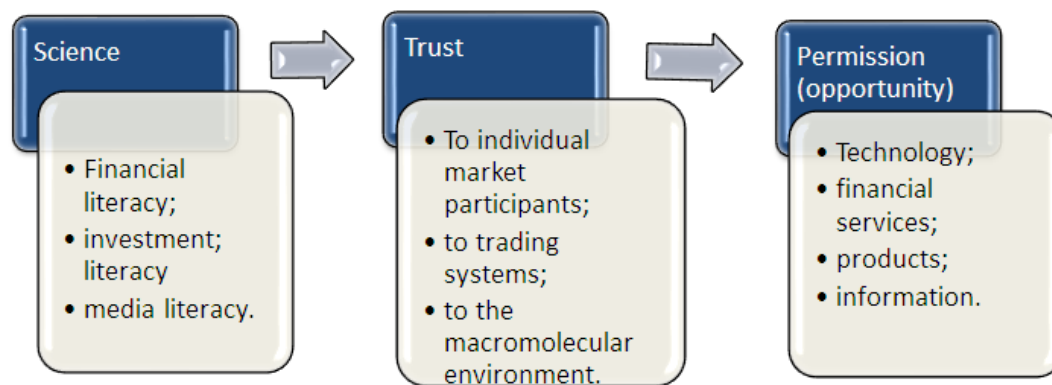


Figure 1. Factors that influence retail investors to have a wide opportunity in the capital market[16].

Focusing on the above factors, today these factors play an important role in the fact that retail investors are active in the capital market, conduct activities and achieve success.

We will try to briefly explain each of these factors below.

Science:

- ✓ Financial literacy-the investor must at least understand the basics of the market and personal finances;
- ✓ investment literacy-it is necessary for the investor to have an understanding of the investment itself and the need for society, how it is possible to invest, which industries, industries or instruments it is advantageous to invest in;

- ✓ media literacy-it is necessary to be able to distinguish between correct and incorrect information in the information space and to be able to interpret good and bad information.

Trust:

- ✓ Trust in individual market participants-trust in issuing companies or state securities, as well as foreign currencies. The profitability, liquidity of these institutions and the stability of the issuer are provided;
- ✓ trust in trading systems-trust in the activities of the exchange, depository, brokers, dealers, funds, managing companies, consultants and the like;
- ✓ confidence in the macroeconomic environment - financial crises or stability of the state system (in political, economic, social relations at the national and international levels) are envisaged.

Permission (opportunity):

- ✓ Access to the internet, computer equipment and intelligent modern equipment and the possibility of their use are provided in the technology – trading processes;
- ✓ financial services the areas and mechanisms for investment are easy to operate and systematized for the interests of soda and investor, and the level of mutual integration is provided;
- ✓ permission to products-the necessary products, that is, the availability of financial instruments and the degree of their diversification are provided;
- ✓ information-opportunities for obtaining the necessary information for investment, ownership of open information is provided.

Based on the above, it can be said that in order for the activity of retail investors in the capital market to be profit-oriented, reliable and orderly, these factors are concentrated, the investor has a high return on the investment he is making, the risk Gorge is low, the activity is easy and the probability of getting organized is higher. In addition, in addition to the factors listed in Ruby, another key factor that affects the activity of domestic retail investors in the capital market is the adequacy of their income. That is, it is known to us from the theory of economics that retail investors accumulate more than their needs or focus on investments. As proof that even in the current period this concept has not lost its relevance, in the table below we will try to consider the activity of the population in the capital market in countries where the profitability of the population is sharply different from each other.

Table 1. Indicators of the level of profitability and activity of retail investors in the capital market in some countries

Indicator	USA	GB	China	India	Brazil	Indonesia
The share of retail investors in the stock market (as a percentage of the population) [16]	55	33	13	3	2	1
Average monthly salary (in US dollars)[17]	4117,4	2636,4	1056,4	535,5	381,7	330,9
GDP per capita (PPP* in US dollars) [16]	69287,5	49675,3	19338,2	7333,5	16056,0	12904,3

* purchasing power parity

From the data of the table it is seen that in countries with a high average population income, we must witness that the capital market is very low, while in mamalakats with a high activity of retail investors in the stock market in particular and a low average income of the population in contrast to mukin. In

addition, the high GDP per capita in countries with high activity of retail investors in the capital market can also be cited as the reason for the strength of the confidence of retail investors in the country's economy and issuers in these countries.

It is also true that today there is a huge impact on the growing competitive environment between segments of the financial market due to the introduction of new trading systems, conditions and innovative instruments, as well as services in the financial market, or, on the contrary, increased competition is an incentive to make new innovative solutions. Therefore, in Figure 2 below, we will try to consider the trends that affect the activity of retail investors in the capital market in the current modern market environment.

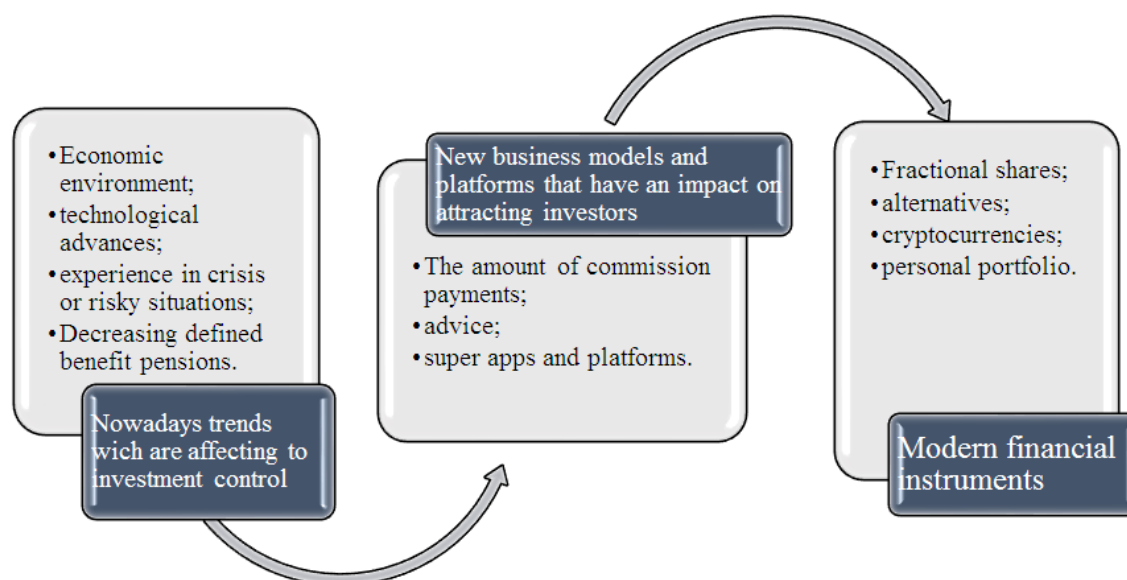


Figure 2. Modern trends affecting to the investment activity of retail investors in the capital market[16].

We will try to give an idea to each of the above-mentioned trends with short comments below.

Trends that are influencing the strengthening of investment control in today's time:

- the economic environment is that as the interest rates are being lowered by central banks today, as a result of the growing interest in investing in the world's Capital Market by retail investors, people prefer to invest their money rather than save it;
- technological advances-the availability of the opportunity to participate in sales with financial instruments from anywhere in the world as a result of the expansion of online trading opportunities today;
- experience in crisis or risky situations-an increase in efforts to search for opportunities to keep their financial resources harmless (or with minimal damage) in humans during periods similar to "Covid-19" and World Financial and economic crises;
- reduction of fixed benefits-especially in countries of the liberal economy model, the increasing decline in positive benefits has increased the commitment to be financially independent for the future and increased the need to direct excess resources to the capital market.

New business models and platforms that are influencing the attraction of investors:

- ✓ amount of commission payments - the fact that today many online trading platforms around the world operate for zero or very low brokerage fees provides the basis for retail investors to further increase their income, which they can receive based on the results of trading processes;

- ✓ tips-creation of sections that allow you to learn or consult investing in trading platforms, opportunities to obtain analytical information from professionals or “Robo-advisors”;
- ✓ the introduction of convenient programs and platforms - Banking, Investment, Payment Services, Research of investment activities, Information, Market Analysis opportunities are concentrated on one platform. In addition, the fact that platforms are being developed for specific groups of people is causing an increase in the volume of retail investors.

Modern financial instruments:

- divisional shares-the fact that only one part of the shares, which until recently did not have the opportunity, is created, which makes it possible for retail investors with low financial resources to form their own portfolios by purchasing one part from shares of several companies;
- alternative funds-the organization of funds (venture funds, hedge funds, stock trading funds (ETF),...) in the capital market, which, in addition to traditional financial instruments (stocks, bonds, derivatives), provide the opportunity to direct the financial resources of retail investors to investment activities by accumulation;
- cryptocurrencies – trading with these instruments is becoming popular due to the creation of opportunities for their implementation through brokerage platforms, payment systems and even cryptocurrency ATMs (kyos);
- personal portfolio-the opportunity to create a personal portfolio, which was previously used only by large capital owners, is now available to all retail investors, the possibilities of constant knowledge of the indices of their personal portfolios today have their influence on the activity of retail investors in the capital market.

Conclusions and suggestions

In conclusion, we can say that increasing the scale of retail investors in Uzbekistan in the capital market remains one of the pressing issues today.

As a result of our research within the framework of the topic, we came to the following conclusions:

Firstly, to increase the level of financial literacy of the majority of the population in terms of increasing the investment activity of retail investors;

Secondly, to strengthen the confidence of the majority of the population in the system of issuers and trade organizers, to increase the activity of retail investors;

Thirdly, to inform the general public about them by collecting information for retail investors with the help of attractive financial services and financial instruments, convenient trading mechanisms and a consulting company for market research in profitable areas.

As a solution to the above problems in Uzbekistan, we can offer:

Firstly, countries (71% of the population in Denmark, Norway, Sweden are financially literate) [20], which are in the leading positions in improving the financial literacy of the majority of the population, using the experience that consists in conducting financial literacy classes in high school as a compulsory subject. In addition, in the media space, the Ministry of Finance provides reliable and simple information about improving financial literacy to the general public. To familiarize the general public with the website of the Central Bank of the Republic of Uzbekistan on information and education in the field of financial literacy and regularly improve and enrich educational materials on this site;

Secondly, to further enhance the openness of information about the issuer and trade organizers. Constant updating of all information about issuers and bidders from the information on the website of the unified corporate information portal of the Ministry of Finance and the open information portal.

Thirdly, the organization of internal “benchmarks” for trading new types of financial instruments on the stock exchange, the development of consulting institutions that provide services with the ability to assess the market situation when attracting resources in the financial market. In this case, the formation and constant updating of a database based on accurate analytical calculations on the market for each type of financial market instruments (loans and stock market instruments, ...) has a positive impact on the activity of retail investors in the capital market in our country.

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