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Research Article

Analyzing the Impact of Dividend Policy, Secondary Public Offerings, and Capitalization on Share Volatility at "UZEX" JSC: an Econometric and Behavioral Approach

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Abstract

In the context of Uzbekistan's economic transformation and the establishment of an open stock market, studying the factors that influence stock and investor behavior is particularly important. This article presents a comprehensive econometric and behavioral analysis of the impact of dividend policy, SPO and capitalization on the volatility of UzEX JSC shares. Modelling was carried out based on linear regression and price trend forecasts using data for the period 2009–2025, as well as daily quotes for 2025. The article reveals the mechanisms by which corporate decisions influence short- and medium-term volatility, retail investor behavior and market expectations. Scenario forecasts up to 2029 are presented, along with recommendations for issuers, investors, and regulators. This study lays the groundwork for applied research in stock market economics and capital management in developing countries.

Keywords: *Stock market, dividends, SPO, volatility, capitalization, UzEX JSC, behavioral analysis, regression modelling.*

Introduction

The stock market in the Republic of Uzbekistan is undergoing a period of structural change, moving gradually from a closed state-controlled economy to a system based on market mechanisms for allocating capital. A key aspect of this transformation is the development of public offerings as a means of mobilizing domestic investment resources and enhancing corporate governance transparency.

Given the low level of financial inclusion among the population, limited institutional participation, and the significant state presence in the economy, it is crucial to examine the mechanisms that encourage privatization, popularize stock market instruments among the population, and foster trust in public issuers. Against this backdrop, the experience of UzEX JSC is an important subject of analysis from both practical and theoretical economic points of view.

UzEX JSC is one of the first issuers to implement the principles of a 'people's IPO' aimed at mass retail investors. The SPO programme carried out in 2024 significantly expanded the shareholder base and demonstrated investor behavior in a transition economy. Further capitalization through retained earnings reinforced the effect of the SPO, changing the ownership structure, liquidity, and price levels of the shares.

This article provides a thorough analysis of UzEX JSC share volatility in relation to key corporate events, such as a stable dividend policy, the placement of additional shares (SPO), and capitalization. Particular attention is paid to analyzing investor behavior in different periods, assessing market expectations and empirically testing hypotheses using econometric modelling tools.

The purpose of this article is to study the factors influencing the volatility of UzEX shares, considering both financial and behavioral variables. The analysis will enable us to evaluate the effectiveness of the mechanisms employed to attract investment, providing practical recommendations for issuers, investors and regulators of the Uzbekistan stock market.

Theoretical overview and literature review

The development of a stable stock market in emerging economies is hindered by significant institutional barriers, restrictions on capital raising, insufficient liquidity and an underdeveloped investment culture. In this context, scientific literature pays particular attention to analyzing factors that contribute to the development of public offerings and growing interest from retail investors (La Porta et al., 1999; OECD, 2022).

One of the most widely discussed factors influencing investor behavior is the dividend policy of companies. According to signaling theory, stable and growing dividends indicate positive future prospects for a company (Bhattacharya, 1979). In the absence of an effective analytical environment and with limited information available, investors in developing countries are particularly sensitive to changes in the structure and regularity of payments. Studies of the markets of Southeast Asia and Eastern Europe confirm the relationship between dividend growth and a decrease in market uncertainty (Glen et al., 1995).

Another important factor is the impact of secondary public offerings (SPOs) on price dynamics. In countries with low liquidity, such offerings often lead to high short-term volatility, particularly when targeting retail investors. Scientific literature emphasizes that the success of a secondary offering depends on more than just the company's fundamentals; it also depends on the degree of confidence in corporate governance and the transparency of the share allocation procedure (Loughran & Ritter, 2002).

In Uzbekistan, these issues have only recently begun to be reflected in applied science. The limited number of empirical studies makes it difficult to formulate robust recommendations. Therefore, a key aspect of this work is combining international theoretical approaches with local data, enabling global conclusions to be adapted to national specifics.

Additionally, the peculiarities of behavioral economics must be considered, as investors do not always act rationally. The theory of behavioral finance, developed by Kahneman and Tversky, shows that investors' decisions can be distorted by emotions, limited information, and herd behavior. This is particularly relevant in post-Soviet countries, where the stock market developed with a significant time lag and limited institutional support (Shiller, 2003).

Thus, the study's theoretical basis relies on integrating classical and behavioral models to achieve a deeper understanding of UzEX JSC share market dynamics and formulate practice-oriented recommendations.

Research methodology and data description

This study is based on quantitative analysis methods, such as constructing econometric models, analyzing time series, and using predictive models of profitability and market capitalization. Additionally, a behavioral approach is employed to explain investor responses to significant corporate events.

Data sources and structure

The following data groups were used for the analysis:

- Annual data on dividends and net profit of UzEX JSC for the period 2009–2025 (including profit distribution percentages, the number of shares in circulation and dividends per share), obtained from corporate reports.
- Daily closing prices of UzEX shares for 2025, obtained from the E-Auksion exchange platform.
- Chronology of SPO events and capitalization, including the placement date, number of applications submitted, distribution between individuals and legal entities, and change in market price after events (2024–2025);
- Data on comparable IPOs of Uztelecom and Uzbekinvest were also used for comparative analysis.

Analysis methods

The study includes the following analytical stages:

- Calculation of the absolute volatility of UzEX shares on a daily basis ($|P_t - P_{t-1}|$);
- Introduction of a dummy variable SPO_t (taking the value 1 from the moment of the SPO);
- Regression modelling of the dependence of volatility on dividends, payout ratio, SPO and volatility lags;
- Construction of a dividend forecast based on the model: $Div_t = (NetProfit_t \times PayoutRatio_t) / Shares_t$;
- Forecast of the market price of shares using the income approach: $P_t = Div_t / ExpectedYield$;
- Scenario modelling (taking into account the impact of SPO, digitalization, macroeconomic risks);
- Using ARIMA models to smooth seasonal effects and build forecast trends for prices and dividends until 2029.

Empirical analysis and regression modelling results

At this stage of the analysis, daily absolute volatility indicators were calculated for UzEX shares based on 2025 quotes. Regression modelling was then performed to determine the dependence of volatility on key factors, such as dividend policy, SPO and capitalization.

Volatility was defined as the dependent variable

For the purposes of this study, volatility was defined as the absolute change in price between two consecutive trading days.

$$Volatility_t = |P_t - P_{t-1}|$$

where

P_t - closing price of UzEX shares on day t

P_{t-1} - closing price of the previous trading day

Calculations showed pronounced spikes in volatility between February and March, as well as in November, after the completion of the SPO. These peaks confirm the seasonal and event-driven nature of market fluctuations.

Building a multiple regression model

The following explanatory variables were selected:
Div_t - dividend per share;
$PayoutRatio_t$ - share of profits allocated to dividends;
SPO_t - fictitious variable equal to 1 after 12 November 2024, 0 before that date;
$Volatility_{t-1}$ - lagged volatility variable.

The regression model took the following form:

$$Vol_t = \beta_0 + \beta_1 Div_t + \beta_2 Payout_t + \beta_3 SPO_t + \beta_4 Vol_{t-1} + \varepsilon_t$$

Regression results (OLS method):

Variable	Coefficient	t-statistic	p-value
Constant (β0)	120,5	2,13	0,035
Dividend (β1)	2,05	2,74	0,007
Payout Ratio (β2)	0,31	1,58	0,112
SPO (β3)	488,7	3,81	<0.001
Lag volatility (β4)	0,45	4,62	<0.001

The R^2 value of the model was 0.54, meaning the model explains 54% of the variation in URTS share daily volatility.

Interpretation of results:

The most significant predictors were:
- the SPO variable (β3 = 488.7), which indicates a sharp increase in volatility after secondary placement;
- the lag variable (β_4 = 0.45), indicating stability in volatility trends and the effect of inertia;
- dividends (β1 = 2.05), which demonstrate the positive impact of payments on market activity.

Although the payout ratio was statistically insignificant at the 5% level, its positive value suggests a potential indirect signalling role for investors.

Thus, we can conclude that UzRTSB share volatility is complex in nature, with fundamental factors (such as dividends) and event triggers (such as SPO) both playing an important role.

The next stage of the analysis will involve developing a scenario forecast for prices and dividends until 2029.

Scenario forecasts of prices and dividends for the period 2025–2029.
Methodological basis for forecasting:

Two main approaches were used to construct the scenario forecast:

Income approach model (dividend valuation model): $P_t = \frac{Div_t}{Yield_t}$

1. Dividend forecast model: $Div_t = \frac{NetProfit_t \cdot PayoutRatio_t}{Shares_t}$

The net profit forecast is based on growth rates for previous years (an average of 18% per annum), and the expected return is assumed to be in the range of 13–15%, based on historical investor behaviour and market norms for dividend-type shares.

Dividend forecast for 2025–2029

Year	Net profit forecast (billion sum)	Shares outstanding (million)	Payout Ratio (%)	Dividend forecast (sum)
2025	319,6	375	85	382
2026	375,1	375	85	430
2027	442,6	375	85	500
2028	521,2	375	85	560
2029	615,0	375	85	630

The forecast assumes that the high profit distribution rate will be maintained and that net profit will grow organically due to increased turnover, digitalization and expanded participation by private investors.

UzEX share market price forecast

Based on a valuation model with an expected return of 13–15%, the approximate fair market price levels for UzEX shares have been calculated:

Year	Dividend (sum)	Yield (%)	Estimated price (sum)	Scenario price (taking into account SPO/liquidity factors)
2025	382	13.5	2 830	3 100–3 300
2026	430	13.5	3 185	3 400–3 600
2027	500	14.0	3 571	3 600–3 800
2028	560	14.0	4 000	4 000–4 200
2029	630	14.5	4 345	4 300–4 700

The scenario values take into account:

- The positive effect of the digitization of trading;
- The effect of reduced volatility due to the expansion of the shareholder base;
- Potential repeat SPOs and share issues.

Volatility forecast

The forecast levels of daily absolute volatility, using values from the econometric model and seasonal characteristics (increased volatility in Q1 and after SPO), are as follows:

Year	Average volatility (sum)	Expected peaks (in sum)
2025	420	up to 520
2026	440	up to 540
2027	470	up to 580
2028	500	up to 600
2029	530	up to 620

Scenarios for future developments

Base scenario:

- Maintenance of the current dividend policy;
- Moderate growth in profits and digitalization;
- One additional SPO in 2026–2027.

Optimistic scenario:

- Profit growth >20% per year;
- Growth in external investment and a decline in yield to 12%;
- Attracting international brokers.

Pessimistic scenario:

- Decline in profits due to macroeconomic shocks;
- Growth in inflation and decline in real stock yields;
- Abandonment of interim dividends.

Scenario analysis thus confirms the sustainable growth potential of UzEX shares, provided institutional conditions, dividend policy discipline, and active market support from the state and digital trading platforms are maintained.

Behavioral analysis of investors and market reactions

Theoretical approaches to behavioral analysis

Behavioral economics assumes that participants in the financial market do not always act rationally and that their decisions depend on cognitive biases, emotional factors, limited information and herd behavior. In the context of developing markets, such as that of Uzbekistan, the influence of behavioral factors is particularly significant due to the immaturity of the institutional environment and investors' limited experience.

When applied to the UzEX JSC stock market, the behavioral approach can explain several deviations from classical valuation models:

- Excessive reaction to dividend announcements (even with insignificant changes);
- Excitement during the SPO period, accompanied by sharp price jumps;
- Weak reaction to fundamental indicators (profit, margin, etc.).

Investor reaction to dividend policy

Historical analysis shows that URTS share prices steadily grow in the first quarter of each year, when dividends are expected to be announced. For instance, between January and March 2023, the price increased from 18,000 to 25,000 sums despite the lack of new financial reports. A similar trend was observed in 2024, when the nominal yield exceeded 400%, causing a short-term surge in interest.

However, in March 2025, after dividends of 382 sums were announced (below market expectations of 429 sums), the price fell to 3,080–3,200 sums following a correction. This suggests that investors consider not only absolute values, but also 'previous expectations' and psychological barriers.

Participant behavior during the SPO

During the SPO in autumn 2024, more than 99% of applications were submitted by individuals. This indicates a high level of involvement from retail investors, for whom the participation process was made as simple as possible through the E-Auktion digital platform.

The submission of applications was accompanied by increased market activity and a rise in the secondary share price. Following the completion of the SPO and subsequent capitalization, however, there was a temporary outflow of interest from short-term players due to a fivefold decrease in price. Meanwhile, long-term investors continued to build up their positions, reflected in increased liquidity and reduced volatility.

The Role of Digitalization in Shaping Behavior

The transition to online trading platforms has significantly broadened the geographical reach of investors, simplified participation in SPOs, and enhanced transaction transparency. The impact of digitalization on behavior is reflected in:

- An increase in the number of small orders (up to 10 million sums);
- A reduction in the time between information appearing and people reacting to it;
- A reduction in the information gap between professional and non-professional investors.

Thus, digitalization has become a behavioral as well as an infrastructural factor, accelerating the institutionalization of private investors in Uzbekistan.

Transition to a long-term behavior model

Despite short-term reactions to dividends and SPOs, investor behavior overall in 2023–2025 indicates an evolution towards a long-term approach. The number of shares held in retail investor accounts is steadily increasing, while the number of buy and sell transactions is decreasing.

This suggests the emergence of a culture of long-term investing, where dividend stability, trust in the issuer and institutional support for stock market processes from the state are key factors in the choice of securities.

Overall, behavioral analysis confirms that URTS market dynamics are driven by financial, psychological, institutional and technological factors. This requires a comprehensive approach to building issuance strategies and interacting with investors.

Discussion of the results and a comparative analysis with other issuers.

Interpreting the results in the context of the Uzbekistan stock market.

The study's results show that UzEX JSC's shares demonstrate unique market dynamics, setting them apart from most other issuers on the Uzbekistan stock market. The company's strategy of stable dividends, transparent SPOs and subsequent capitalization has enabled it to generate sustained interest from retail investors and achieve high liquidity of its shares.

The high coefficient of determination in the volatility model ($R^2 = 0.54$) confirms that the price behavior is adequately reflected by variables including dividends, SPOs and the inertia of previous fluctuations. This indicates the market's high sensitivity to corporate decisions in a context of limited available public instruments.

Comparison with other examples of IPOs and SPOs in Uzbekistan

To gain a deeper understanding of the specifics of UzEX, a comparative analysis was conducted with Uztelecom's and Uzbekinvest's share placements in 2023. The main differences are as follows:

Indicator	UzEX (2024)	Uztelecom (2023)	Uzbekinvest (2023)
Type of placement	SPO	IPO	IPO
Share of individuals in applications	99%	~40%	~30%
Number of applications	12 600	11 000	247
Oversubscription	108%	none	none
Capitalisation after placement	yes	no	no
Subsequent liquidity growth	significant	limited	weak

Thus, UzEX JSC's approach was characterized by its focus on mass investors, extensive digital platform coverage, and careful post-IPO capital management. This enabled the company to achieve market success and institutional trust, as demonstrated by ongoing activity on the secondary market several months after the offering.

The unique features of the UzEX case

Unlike other issuers, URTSB used the SPO to raise capital and to form a broad shareholder base and promote an investment culture among the population. The case study demonstrates how stable profits, a disciplined dividend policy, and digital infrastructure can ensure the success of a public offering in a developing economy.

Conclusions from the comparative analysis:

The UzEX JSC case study can be recommended as a model for future placements in Uzbekistan, particularly in the context of people's IPOs'. The key elements of success are:

- Focus on individuals;
- High quality communication and digital services;
- Transparent distribution;
- Maintaining financial discipline after placement.

The comparison also confirms the need to revise the traditional approach to IPOs in Uzbekistan, where institutional applications predominate and market feedback is weak. UzEX has demonstrated that mass retail investors represent a valuable resource that could drive the stock market if the right institutional framework were in place.

Conclusion

The study showed that the volatility of UzEX JSC shares is influenced by fundamental factors such as dividend policy and capitalization, as well as event-driven and behavioral factors such as SPO, market expectations and digitalization. The company's strategy of sustainable profit distribution and focus on mass investors has proven effective in the context of Uzbekistan's developing stock market.

Econometric analysis using a multiple regression model revealed that dividends, SPOs and volatility lags have a statistically significant impact on price behavior. The behavioral aspect of the study demonstrated the presence of seasonal effects and an increased sensitivity to corporate events, as well as increased investor interest thanks to digital tools and the company's openness.

Comparisons with other issuers (UzTelecom and Uzbekinvest) confirmed the UzEX case's uniqueness, based on individual involvement, placement transparency, and a long-term trust-building strategy. This approach has become an example of successful practice in public SPOs and can be scaled to other sectors of the economy.

The forecast for the period 2025–2029 predicts stable dividend growth (from 382 to 630 sums per share) and moderate market price growth (up to 4,700 sums). However, risks associated with changes in the macroeconomic, regulatory and investor environments remain.

Thus, the case of UzRTSB JSC demonstrates that a successful stock market can be developed in a developing economy, provided a balance is maintained between corporate discipline, technological modernisation, and the active involvement of private investors.

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