

**ANALYSIS OF DIVIDEND POLICY AND DIVIDEND PAYMENTS IN
PRIVATE AND STATE-OWNED BANKS OF UZBEKISTAN**

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Abstract

This article discusses the conceptual foundations of dividend policy, analyzing the distribution of profits, dividend policy, the theory of dividends, distribution of dividends and payment of dividends in state and commercial banks.

Keywords: Joint stock companies, dividends, commercial bank, payment of dividends, profit distribution, dividend policy, shareholder.

INTRODUCTION.

It serves to increase investment attractiveness for corporate structures, including joint-stock companies. That is, dividends serve as a kind of free advertising to ensure the successful placement of additional shares and increase the share price. If the shares are placed at a price higher than the nominal value due to the investment attractiveness of the additional issue of shares, the attraction of cheap capital is achieved as a result of the decrease in the capital price due to the increase of the added capital. This aspect is one of the important criteria that ensures efficiency in corporate finance management. Because attracting capital at a low price through shares serves to increase the efficiency of the implemented project. Ultimately, these aspects can be expected to increase the market capitalization of the joint-stock company.

ANALYSIS OF LITERATURE ON THE TOPIC.

S. Elmirzaev also noted that as another result that can be obtained by rationally conducting the dividend policy, it can be a unique basis for attracting financial resources through the primary public placement of shares. In addition, it should be noted that effective dividend practices are a motivating factor not only for foreign capital, but also for raising capital within the national capital market. Only then, we note here that the ability to make the dividend practice a primary issue in relations with investors after the practice of public placement of shares is an urgent issue before corporate finance management.

N. Sherkuzieva, one of our scientists who has conducted extensive research on dividend policy, thoroughly researches dividend theories and divides them into theories that support and deny the importance of dividends (Table 1). Based on the given table data, we should note that each dividend theory has its own advantages and disadvantages. But today, in terms of developing the financial market and gaining the trust of global investors, the dividend is crucial.

Table 1. Basic theories of dividend policy¹

Classification of theories	The name of the theory	Founders of the theory	The main idea
Theories that deny the importance of dividends	Dividend irrelevance theory	F. Modigliani M. Miller	The founders of the theory put forward the idea that the dividend policy does not affect the market value of the company, nor the financial condition of the owners
	A theory of tax-mediated preferences	R. Litsenberger K. Ramaswamy	Dividend policy is considered as a criterion for minimizing tax payments from current and future income of the owners. Therefore, the process of minimizing dividend payments and maximizing profit reinvestment is important
Theories supporting the importance of dividends	Dividend preference or "bird in the hand" theory	M. Gordon J. Lintner	Investors prefer current period profits in the form of dividends rather than reinvesting profits
	Signal theory of dividends	S. Ross	Dividends are a means of signaling to investors about a company's prospects and its financial condition
	The theory of "Customer effect".	M. Brennan	The company's dividend policy is based on investors' expectations. In turn, investors choose a company based on its dividend policy

That is, at the time when the stock market is becoming global, any investor wants to get a constant profit and dispose of it freely. In this case, when dividends are considered a source of passive income, they also serve as a unique signal for stock price fluctuations. As a result, there are opportunities to earn from the difference in the exchange rate, which is considered as active income. We should note that this aspect creates an opportunity to increase the influence of joint-stock companies not only in the national capital market, but also in the global financial market.

RESEARCH METHODOLOGY.

One of the most important aspects in managing corporate finance is undoubtedly making financial decisions related to the practice of paying dividends to shareholders through the rational distribution of profits. This aspect is considered within the framework of the dividend policy of joint-stock companies. The importance of dividends for the economy, especially for joint-stock companies, is characterized by its versatility.

ANALYSIS AND RESULTS.

As we know, according to the current legislation in our republic, commercial banks must be organized only as joint-stock companies from the point of view of organizational and legal form². This aspect shows that commercial banks must also have a dividend policy and establish financial relations with shareholders related to dividends. Therefore, below we will analyze the profit distribution, dividend policy and dividend payments of private and state-owned commercial banks operating in our republic.

¹ Elmiraev S., Sherkuzieva N., Shavkatov N., Karimov A., Abdurahimova D., Boev B. Modern corporate financial relations: theory, practice and development prospects. Collective monograph. - T.: "Economy-finance", 2022. - B. 30. (144 p.)

² Law of the Republic of Uzbekistan "On Banks and Banking Activities", Article 15. November 5, 2019

In recent years, one of the commercial banks undergoing transformation with the support of the International Finance Corporation and taking a number of measures to prepare for privatization is the joint-stock commercial mortgage bank "Ipotekabank". The nominal value of one share of Ipotekabank is 1 soum, and the composition of shareholders owning the authorized capital is as follows (Table 2):

Table 2. Composition of shareholders of Ipotekabank ATB³

№	List of shareholders	Share in the authorized capital, in percent
1	Ministry of Finance of the Republic of Uzbekistan	96,9
2	Other legal entities (number of shareholders - 4729)	2,64
3	Individuals (number of shareholders – 11,685)	0,46
	Authorized capital (total number of shareholders - 16415)	100

As of April 1, 2022, the authorized capital of Ipotekabank (two trillion nine hundred ninety two billion two hundred four million twenty one thousand nine hundred thirty eight) is 2 992 204 021 938 soums. It is clear from the above table that 96.9% of the authorized capital of the bank is owned by the Ministry of Finance of the Republic of Uzbekistan on behalf of the state. The share of other shareholders is equal to 3.1 percent.

Dividends of Ipotekabank, which was established in 2005 on the basis of the mutual merger of "Zaminbank" and "Uzuyjoyjamag'armabank", calculated and paid during its activity are as follows (Table 3):

Table 3. Calculated and paid dividends of Ipotekabank for 2005-2020⁴

№	Annual results	Years paid	Dividends calculated and paid are in cash				Accrued dividends in the form of capitalization		Total revenue		The nominal value of the share
			To a common stock		To the preferential share		Per share		A common stock	The preferential share	
			Per share								
			%	soum	%	soum	%	soum	%	%	
1	2005	2005-2006	20	200,00	40	400,00	-	-	20	40	1 000
2	2006	2006-2007	-	-	40	400,00	-	-	-	40	1 000
3	2007	2007-2008	13	130,00	40	400,00	-	-	13	40	1 000
4	2008	2008-2009	15	150,00	40	400,00	-	-	15	40	1 000
5	2009	2009-2010	15	150,00	25	250,00	-	-	15	25	1 000
6	2010	2010-2011	4	40,00	25	250,00	36	360,00	40	61	1 000
7	2011	2011-2012	5	68,00	25	317,50	25	340,00	30	50	1 360
8	2012	2012-2013	5	85,00	25	403,75	36,5	450,00	41,5	61,5	1 700
9	2013	2013-2014	-	-	25	509,40	31,3	672,00	31,3	56,3	2 150
10	2014	2015	-	-	25	705,50	26,8	756,00	26,8	51,8	2 822
11	2015*	2016	1,5	54,00	25	894,50	12,5	448*	14	37,5	3 578
12	2016	2017	8	0,08	25	0,25	-	-	8	25	1
13	2017	2018	6	0,06	25	0,25	-	-	6	25	1
14	2018	2019	8	0,08	25	0,25	-	-	8	25	1
15	2019	2020	-	-	25	0,25	-	-	-	25	1
16	2020	2021	-	-	25	0,25	-	-	-	25	1

³ https://www.ipotekabank.uz/uz/investors/shai_sharad/

⁴ https://www.ipotekabank.uz/uz/investors/shai_sharad/ 2005-2020 yillar uchun hisoblangan va to'lab berilgan dividendlar tarihi.pdf

The information in the above table shows that Ipotekabank regularly pays attention to dividend payments. It is possible to witness both the payment of dividends in the form of money and the payment of dividends in the form of shares. It should be noted that at the end of 2005-2008, 40 percent of the nominal dividend was paid to the owners of preferred shares in the form of cash. At the end of 2009-2020, a 25 percent cash dividend was paid to the owners of preferred shares. It should be noted that for the years 2010-2015, 36%, 25%, 36.5%, 31.3%, 26.8%, 12.5 dividends in the form of interest shares have also been paid. As a result, the profitability and investment attractiveness of preferred shares has been sharply increased.

According to the end of the year, 20% of nominal dividends were paid for ordinary shares in 2005, 13% in 2007, 15% in 2008-2009, 8% in 2016, 6% in 2017, and 8% in 2018. For 2010-2012 and at the end of 2015, dividends were paid both in cash and in the form of shares. In particular, at the end of 2010, 4 percent of dividends were paid in the form of money and 36 percent in the form of shares, while these indicators were 5 and 25 percent at the end of 2011, and 5 and 36.5 percent at the end of 2012, respectively. The associate is provided with high attractiveness on ordinary shares.

As of the end of 2015, we can witness that 1.5 percent of common shares were paid in the form of cash and 12.5 percent in the form of shares. These dividends were implemented on the basis of the decision of the general meeting of shareholders of the bank on May 29, 2017, based on the financial results of the bank in 2015, to carry out capitalization by crushing and issuing additional shares, in which 448 additional shares will be added for every 3578 shares. It should be noted here that dividend payments in the form of shares at the end of 2010-2015 were made by increasing the nominal value of shares. This practice has been banned since 2016 according to the current legislation.

We can see that the composition of shareholders in the private joint-stock commercial bank Trustbank is as follows (Table 4).

Table 4. Composition of shareholders of Trustbank PJSCB⁵

№	Shareholder - the name of a legal entity or shareholder - the name of a natural person	The amount of the shareholder's share in the authorized capital of the bank	The type of stock you own	Placed husband/ residential address
1	“MADI GmbH” LLC	5,00%	Ordinary shares	55 Eschborner Strasse, Steinbach, Federal Republic of Germany
2	“DIMINUR GROUP” LLC	12,11%	Ordinary shares	Tashkent city, Amir Temur avenue, 60
3.	“PRESYSTEM UNIVERSAL” LLC	17,96%	Ordinary and preferential shares	Tashkent city, Sirgali district, Fayzli street, 3
3.	Sharipov T.M.	23,27%	Ordinary shares	Republic of Uzbekistan, Tashkent city, Yakkasaroy district
5	Parpiyev D.B.	23,27%	Ordinary shares	Republic of Uzbekistan, Tashkent city, Yakkasaroy district
6	Maxmudova D.M	15,03%	Ordinary and preferential shares	Republic of Uzbekistan, Tashkent city, Mirzo Ulugbek district
7	Other shareholders	3,36%	Ordinary and preferential shares	Uzbekistan

⁵ <https://trustbank.uz/uz/shareholders/structure/over-5-percent/>

From the information in the above table, we can see that no one person's share in Trustbank is more than 50 percent, that is, no shareholder owns a controlling package and has no decisive vote. This aspect is of particular importance in the practice of purely corporate management based on the conflict of interests in a bank, in general, in any joint-stock company. In the analyzed joint-stock companies, we cannot say that purely corporate management is in effect, since the majority of shares (more than 90 percent) are owned by the state. As a result, attention to dividends is very low. At Trustbank, thanks to pure corporate management, priority is given to result-oriented activities and the interests of shareholders (Table 5).

Table 5. Analysis of calculated and paid dividends in relation to the nominal value of Trustbank PJSCB shares⁶

Indicators	During 2019	During 2020	During 2021
Per common stock, in percentage of par	61,3	101,4	25,0
- amount of calculated and paid dividends (million soums)	98 219,15	228 380,18	90 056,75
On preferential shares:	15	15	15
- amount of calculated and paid dividends (million soums)	3,45	3,45	3,45

It should be noted that although the dividend paid on ordinary shares in Trustbank has a sharp volatility compared to the nominal value, it is actually sufficient to satisfy the investor. The fact that 61.3 percent of the dividend was paid in 2019, and 101.4 percent in 2020 compared to the nominal value of the common stock, indicates that a sharp high dividend was paid. Even the fact that 25 percent was paid in 2021 indicates that a higher than market yield was paid.

Dividend payments of the private joint-stock commercial bank "Hamkorbank" for the years 2017-2021 were made only on preferred shares (Table 6).

Table 6. Analysis of dividend payments of "Hamkorbank" JSCB for the years 2017-2021⁷

End of the year	For ordinary shares		For preferential shares		Total dividend payment, million soums	Net profit of the bank, million soums
	%	сўм	%	сўм		
2017 year	0	0	30	46.5	763,7	132147,73
2018 year	0	0	30	1.5	1010,14	232323,94
2019 year	0	0	30	1.5	1010,14	325995,98
2020 year	0	0	30	1.5	1010,14	383002,92
2021 year	0	0	30	1.5	1010,14	500272,25

During the last four years, a 30 percent dividend has been paid on preferred shares. Due to the fact that additional preferential shares were not put into circulation or private shares were not bought back, the amount of dividend paid did not change, that is, it was the same 1010.14 million soums. One of the main features of Hamkorbank is the high yield rate of dividends on preferred shares compared to the dividends of preferred shares of other banks, as well as joint-stock companies in other industries and sectors.

⁶ <https://trastbank.uz/uz/shareholders/distribution-of-profits/dividends/>

⁷ <https://hamkorbank.uz/uz/for-investors/divident-information/>

CONCLUSIONS AND SUGGESTIONS

Today, in the conditions of intense competition in the world economy, the scope and scope of financial relations is expanding. We can see this aspect in the practices of attracting financial resources, especially capital attraction through shares. As a result, the global open or public offering of shares has in itself accelerated the transition of relations with shareholders to a global scope. In this regard, global IPO (initial public offering of shares) practices are gaining particular importance. Financial relations with shareholders on a global scale are creating the basis for the implementation of dividend practices on a global scale.

As we know, the market of mergers and acquisitions is also developed in countries with developed stock market. In this case, large business entities seek to establish control over relatively recently developing joint-stock companies by acquiring control packages of shares. In this way, the market dominance is maintained by the acquiring companies. Acquiring companies regularly offer, albeit small, shares in order to acquire a share package of a joint-stock company that is intended to be acquired. If the target joint-stock company does not pay enough attention to dividend practices, its shareholders will try to get rid of such shares as soon as possible. As a result, the company will be transferred to another hand. Therefore, companies that have not entered the market should pay dividends as much as possible and try to convince their shareholders that their projects are promising. As a result, dividends appear as a kind of hedge in the mergers and acquisitions market.

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