

THE ROLE OF DIVIDEND POLICY IN ATTRACTING INSTITUTIONAL INVESTORS FROM THE CAPITAL MARKET

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Abstract

Keywords:

Joint stock companies, dividends, dividend policy, dividend aristocrats.

The article considers the role of dividend policy in the system of financial management of joint-stock companies based on the balance of interests of the company and its shareholders and aimed at increasing the investment attractiveness of joint-stock companies. The article also provides scientific proposals and practical recommendations aimed at effective dividend policy in joint-stock companies of our Republic, defines the directions of use of best foreign experience.

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INTRODUCTION

One of the most important decisions that joint stock companies make as part of their financial policies is the decision of how much of the net profit should be distributed among the shareholders in the form of dividends. For several decades, the dividend policy of joint-stock companies has been the subject of numerous studies in the field of corporate finance and financial management. There are many views on the necessity and purpose of dividend payments, and even today, the researches carried out in this area of corporate financial management do not lose their relevance.

LITERATURE REVIEW

The issues of the role of dividend policy in the financial management system of joint-stock companies are being studied by a number of scientists. For example, S.E. Elmirzaev's textbook "Corporate Finance" defines the dividend policy as " a part of the financial policy of the enterprise aimed at optimizing the proportion between the consumed and reinvested parts of the profit in order to increase the market value of the enterprise and the well-being of the owners . " At the same time, the financial relations Baker, H. Kent (Harold Kent) "Dividends and dividend policy" in the educational literature, the controversial views on dividends and dividend policy, the research results of scientists, the different and similar aspects in conducting dividend policy in countries, as well as the views of managers, factors affecting their decision-making, researchers' attempts to mathematically model the movement of dividends, and similar issues are described in detail. It should also be noted that in this educational literature, the differences in dividend payments and the protection of shareholders' rights in various financial market models studied by scientists were also studied ².

According to I. Ya. Lukasevich, in practice, the dividend policy plays an important role in the activities of joint-stock companies, including influencing the fluctuation of the value of shares, causing a change in equity capital, and as a result, affecting the market value of shares and the investment attractiveness of the company ³.

We know that the dividend policy is closely related to the practice of distribution of net profit in joint stock companies. At the same time, E. Brigham and M. Ehrhardt, frequent changes in the policy of distribution of net profits have a negative impact on the value of joint-stock companies and, as a result, on the investor's interest in research objects ⁴.

¹Elmirzaev S.E. Corporate finance, Study guide, Tashkent, "Economic finance", 2015. 202 - p.

²Baker, H. Kent (Harold Kent) , Dividends and dividend policy , JohnWiley& Sons, Inc., Hoboken, New Jersey 2009.

³Lukasevich I. Ya. Financial management: textbook. 4-e izd., pere-rab. idop. M.: Natsionalnoe obrazovanie, 2013. 768 p .

⁴Eugene F. Brigham, Michael C. Ehrhardt, "Financial Management: Theory & Practice" Fifteenth Edition, Boston, MA, USA: Cengage Learning, 2017. p.568-569.

RESEARCH METHODOLOGY

During the study economic-statistical, comparative and other methods of scientific-research were used in order to study the theoretical-methodical aspects of studying relations related to dividends and dividend policy.

ANALYSIS AND RESULTS

The main goal of management of a joint-stock company is to increase the value of the business and the value of the company for the owners. Dividend policy is an important part of corporate management strategy and affects the processes of investment and capital utilization.


Dividend in joint-stock companies in our country is defined as follows according to the Law "On protection of joint-stock companies and shareholders' rights" adopted on May 6, 2014 in a new version, "Dividend is the part of the company's net profit distributed among shareholders" ⁵.

An integral component of effective corporate financial management is a dividend policy with positive results. **Dividend policy** represents the obligation of the joint-stock company to direct a certain part of the net profit to the shareholders. The main goal of this policy is to ensure the right of shareholders to receive income in the form of dividends from their investments in shares. Dividend policy includes the strategy and main criteria of dividend payment policy, determining the amount of dividends, the source of funding for dividend payments, the selection of the procedure and forms of dividend payment.

our republic, joint-stock companies consider issues related to dividend payments and develop dividend policy in accordance with the Laws "On the Stock Market", "On the Protection of the Rights of Joint-Stock Companies and Shareholders" and other regulatory legal documents and international standards.

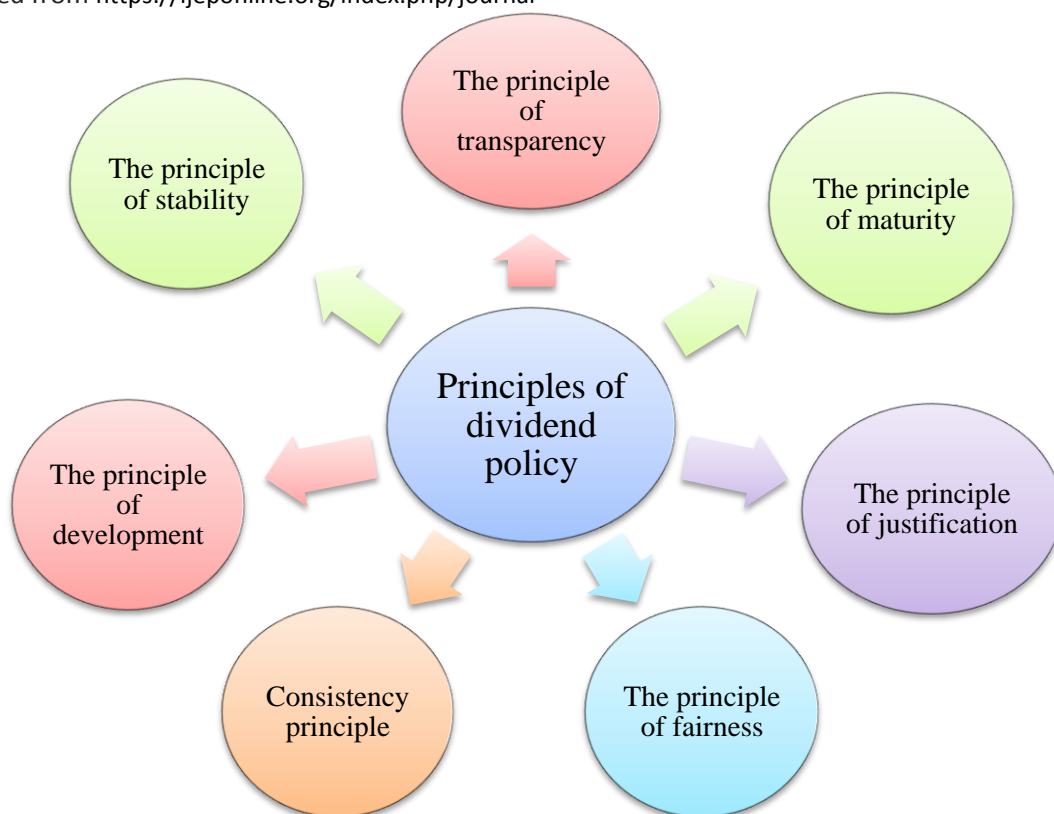
The main principles of the dividend policy of joint-stock companies are as follows (Fig. 1).

⁵Article 48 of the Law of the Republic of Uzbekistan "On Protection of Joint-Stock Companies and Shareholders' Rights", May 6, 2014.

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1 . Principles of dividend policy⁶


The principle of transparency. It provides for determining and disclosing information about the obligations and responsibilities of the parties involved in the implementation of the dividend policy, including the procedure and conditions for making decisions on the amount of payments and dividends.

Tenure principle i. This principle provides for the establishment of time limits for dividend payments.

The principle of justification. Based on the real financial situation of the company, taking into account its development plans and investment programs, it means that the amount of dividends and decisions on their payment can be made only when a positive financial result is achieved by the company.

The principle of fairness. It is intended to ensure the equal right of shareholders to receive information about the decisions to be made regarding the payment of dividends, their amount and payment procedure.

⁶Prepared using economic literature.

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principle of consistency. It provides for the strict implementation of the principles and measures of the dividend policy.

The principle of development. The company intends to constantly improve this policy by revising the dividend policy as part of the improvement of corporate governance measures and as a result of changes in strategic goals.

The principle of stability. It implies that society should strive to ensure a stable level of dividend payments.

In our opinion, the dividend policy of joint-stock companies should increase the attractiveness of the stock market for investors and, as a result, contribute to the development of the country's economy. According to the dynamics of the dividend policy, investors will be able to analyze the company's future prospects and evaluate its results.

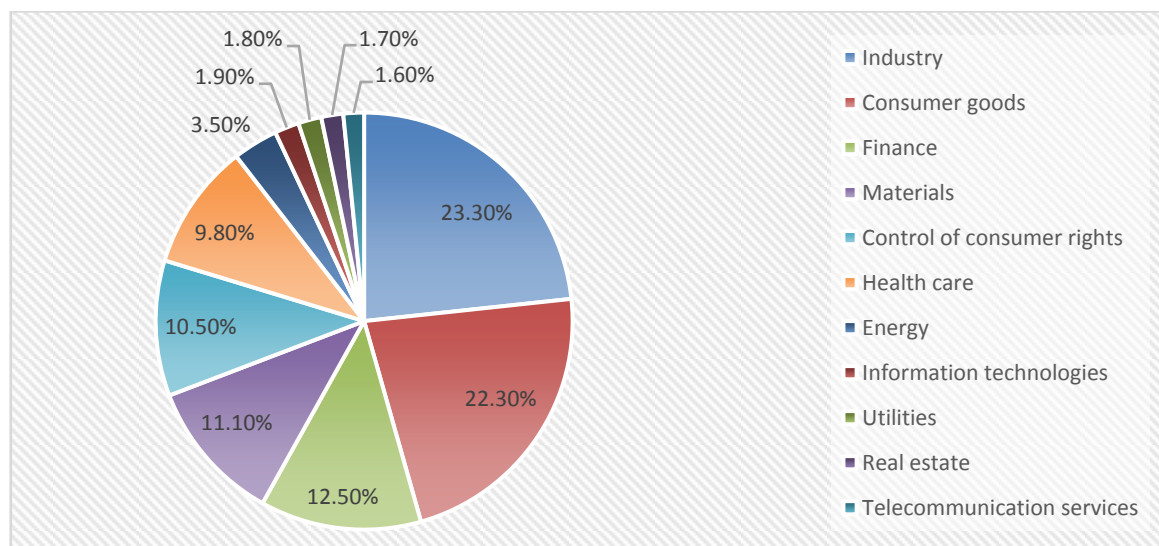


Figure 2. Distribution of S&P 500 "Dividend Aristocrats" companies by economic sectors⁷

There is a special S&P 500 "Dividend Aristocrats" index that lists companies that have consistently increased their payouts to shareholders over 25 years as part of the most advanced corporate financial management practices in the US. A single missed increase by a company is reason enough to be removed from this list.

⁷Prepared using company data.

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Over the past 25 years through 2019, 57 of the companies in the S&P 500 have been raising their dividends consistently. Such companies include Dover, Emerson Electric, Genuine Parts, Procter & Gamble, 3M, Coca-Cola, Johnson & Johnson. These include Exxon Mobil, PepsiCo, Colgate-Palmolive, Wal-Mart Stores and others.

American "dividend aristocrats" are highly diversified, and we can observe that they are widely distributed in 11 sectors of the economy. Industry and consumer goods sectors have the highest share among these sectors. After all, in the practice of corporate financial management, it is often observed that a generous attitude towards dividend payments to shareholders ensures positive dynamics of the company's share price.

If we look at the practice of conducting dividend policy by joint-stock companies in our republic, we can observe that although the share of net profit allocated to dividend payments in joint-stock companies is gradually increasing, the profitability of dividends in some joint-stock companies is still low. This situation makes it necessary to coordinate the activities of the joint stock companies of our country in the national securities market with the trends occurring in the international securities market, putting corporate interests first.

CONCLUSIONS

Based on the results of the analysis carried out during the writing of this article, the following conclusions were formed.

In the conditions of modernization of the economy, it is necessary to implement the following measures to increase the efficiency of the issuers' investment and dividend policies:

- implementation of the mechanism of privatization of large enterprises through IPO;
- in exchange for reducing the participation of the state in the authorized capital of large joint-stock companies, it is necessary to increase the share of shares in free circulation;
- to ensure wide participation of small investors in the financial market and implement mechanisms to protect their investments;
- creating and improving the positive image of the stock market of our country;

- ensuring the integration of the national securities market with international stock exchanges;

- It is necessary to effectively use advanced foreign experiences in conducting dividend policy by joint-stock companies in our republic.

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