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Research Article

DIVIDEND POLICY AND ITS IMPACT ON THE STOCK PRICE

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ABSTRACT

The article discusses the specifics of the effective organization of dividend policy in joint-stock companies, the theoretical and legal basis of its impact on the share price, the current situation and the experience of foreign countries in its implementation in our country.

KEYWORDS

Dividend, investment attractiveness, joint stock company, stock, resource, shareholder, profit, capital attraction.

INTRODUCTION

It is known that in a market economy, the main goal of the executive body and corporate governance is to maximize profits through the effective organization of joint-stock companies. The main indicators of the investment attractiveness of joint-stock companies are the amount of profit and the degree of its distribution as a dividend. Today, the level of these indicators plays an important role in attracting financial resources, ie investments, in joint-stock companies. As noted by President Sh.M.Mirziyoyev - "Along with investment, new technologies, best practices, highly qualified specialists are entering various sectors and industries, regions, entrepreneurship is developing rapidly" . From the point of view of the President, we can see that investments create opportunities for joint-stock

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companies to introduce new technologies and know-how[1].

Also, in the Action Strategy for the development of the country for 2017-2021 - "... Development of the stock market as an alternative source of capital and the placement of free resources of enterprises, financial institutions and the population; development of international economic cooperation, including the expansion of contacts with leading international and foreign financial institutions, the continuation of a well-thought-out foreign debt policy, the effective use of foreign investment and loans "[2]. To achieve this, of course, requires the development and implementation of a well-thought-out dividend policy. Today, the dividend policy is not well implemented in all enterprises of the country. This is because the effective implementation of the dividend policy, in turn, should have an impact on the development of stock exchanges. For this reason, today it is important to identify and address the existing shortcomings in the mechanism of profit distribution and dividend policy in joint-stock companies of the country.

MATERIALS AND METHODS

The issues of dividend policy in joint-stock companies are also reflected in research, scientific works, brochures and articles conducted by foreign and domestic economists.

A.D.Aydin and S.C.Kaydar emphasize that dividend policy has always been one of the most discussed and researched areas of finance, and the decision on dividend payments is an important part of corporate finance. The relationship between corporate governance and dividend policy is an important research topic in corporate finance today.

According to G.Serveys and J.Tufano, if companies do not have enough funds to pay dividends, the first step they will take is to reduce future investment projects, as well as to reduce dividends[3].

M. According to Benlemli's agency theory, dividend payments play an important role in controlling agency expenses in cash flows. Dividend payments help to reduce resource consumption under the control of managers and prevent inefficient use of resources by the company[4].

In recent years, our country has been conducting research on the effective organization and improvement of dividend policy. In particular, according to DSc, Professor S. Elmirzayev, the dividend policy is a financial policy of the enterprise aimed at optimizing the proportion between consumed and reinvested parts of profits in order to increase the market value of the enterprise and the welfare of owners is part of. The financial relationship between enterprises and owners in terms of the distribution of profits reflected in the dividend policy is complex and multifaceted. Therefore, it is expedient to consider the

[1] Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis of December 28, 2018. - https://president.uz/oz/lists/view/2228

[2] Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021

[3] J.Atanassov, A.Mandell. Corporate governance and dividend policy: evidence of tunneling from master limited partnerships. // Journal of Corporate Finance. Article. 53 (2018) 106-132.

[4] Mohammed Benlemlih. Corporate Social Responsibility and Dividend Policy. Science Direct. Research in International Business and Finance 47 (2019) 114–138.www.elsevier.com/locate/ribaf

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economic nature of dividends and the nature of its occurrence[5].

RESULTS AND DISCUSSION

The issue of profit distribution in joint-stock companies is one of the most important issues for corporate governance. Because each shareholder strives to receive an appropriate share of the profits based on their contribution. On the other hand, managers who ensure that a corporation completes the reporting period with a profit also want to receive a portion of the profits as a reward. The shareholders also face the issue of reinvestment of profits in order to further develop the activities of the company. Each of the above aspects must be taken into account in the distribution of profits. Otherwise, there may be a conflict of interest between the parties, resulting in a corporate conflict. In addition, the distribution of profits among shareholders should take into account the possibility of attracting additional resources to expand activities. The issue of profit distribution in corporate governance is considered first by the Supervisory Board. It is then submitted by the Supervisory Board as an issue to the general meeting of shareholders.

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Based on the fact that the efficiency of joint-stock companies is determined by the amount of direct profits and dividends paid to shareholders, we will focus on the organizational features and issues of improving the dividend policy in the country.

The main problem in the dividend policy is explained by the difficulty of deciding on the optimal ratio between the share of dividends paid in the form of dividends and the part of profits directed to the further development of the business.

[5] Elmirzayev S. Corporate finance. Textbook / –T: "Economics and Finance", 2019. 364p.

[6] Lintner J. Distribution of incomes of corporations among dividends, retained earnings, and taxes. The American Economic Review, Vol. 46, no. 2, Papers and Proceedings of the Sixty-eighth Annual Meeting of the American Economic Association. (May, 2016), pp. 97–113.

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The rational conduct of dividend policy, in turn, allows the following in the activities of joint-stock companies.

Explaining the details of the picture above, we would like to emphasize the following:

First of all, regular dividend payments by joint-stock companies serve the investment attractiveness of joint-stock companies. In this case, the issuance of corporate bonds or the attraction of financial resources through the issuance of additional shares is relatively inexpensive compared to the attraction of bank loans. This is because the fact that regular dividend payments are made is of interest to the investor.

Secondly, at a time when our country pays special attention to the formation of the middle class, we believe that the rational conduct of dividend policy will to some extent contribute to the fulfillment of this task. This is because it is possible to attract free funds of the population in order to expand the activities of joint-stock companies by attracting dividend income. As a result, along with the formation of the middle class, the income of the population will grow steadily.
Third, in a market economy, corporate mergers and acquisitions are common. In most cases, the practice of acquisitions is carried out by acquiring a controlling stake in the shares. Non-regular or low level of dividend payments by joint-stock companies leads to dissatisfaction of shareholders, which in turn leads to the sale of shares to other persons, in particular to shareholders of "enemy" companies. As a result, the loss of control will result in the incorporation of the company into another company, in particular foreign companies. Exactly in order to protect against mergers, joint stock companies can use a dividend policy. In other words, providing the shareholder with dividend income based on market profitability serves as protection against self-aggregation.

In developed and developing countries, the procedure, forms and specifics of dividend payments to shareholders are regulated by law. In our country, this process is regulated by the Law of the Republic of Uzbekistan "On Joint Stock Companies and Protection of Shareholders' Rights" of May 6, 2014, according to which joint stock companies must pay declared dividends on each type of shares.

Dividends are paid in foreign countries on specific dates based on the following steps.

In this case, the timing of the announcement of dividends reflects the time when the Board of Directors determines the amount of dividends and payment terms based on the decision of the general meeting of shareholders. The ex-dividend or closing date of the register means the date on which the dividend is paid on the register, and on that date, the share price is usually reduced by the amount of the declared dividend. Before the date of registration, shareholders must register, and on the date of payment of dividends, dividend checks will be sent to registered shareholders.

The dividend policy pursued by enterprises is influenced by factors related to investment activities, objective restrictions, which characterize the possibility of attracting financial resources from alternative sources. The factors influencing dividend policy and their components are listed in Table 1.

Effective organization of joint-stock companies plays a special role in ensuring the stability of the country's financial system. This is because the finances of joint-stock companies play a special role in the formation of the main part of state budget revenues, in ensuring that households have a regular source of income, in foreign trade relations, in the stable operation of financial institutions.

Table 1.

Factors influencing dividend policy

№	Group of factors	Group composition
1.	Factors characterizing the investment opportunities of the enterprise	- - stages of the life cycle of the enterprise; - - the need for the company to expand its investment programs; - - The stage of preparation for individual investment programs with high efficiency.
2.	Factors characterizing the possibility of formation (attraction) of financial resources from alternative sources	- adequacy of private capital reserves formed in previous periods; - costs required to raise additional share capital; - costs required to raise additional debt capital; - Opportunity to attract loans from the financial market; - - the level of creditworthiness, determined by the current financial condition of the enterprise;
3.	Factors related to objective limitations	- - level of taxation; - - the level of taxation of enterprise property; - - the effect of financial leverage achieved depending on the ratio between used private and debt capital; - - the amount of actual profit and the ratio of return on equity.
4.	Other factors	- - the cycle of the state of the commodity market in which the enterprise participates; - - the level of dividend payments of competing companies; - - urgent payments on received loans; - - the possibility of losing control over the management of the company.

Based on the above, the government pays special attention to improving the efficiency of joint-stock companies and ensuring their investment attractiveness. At a time when reducing the share of the state in the economy, privatization, direct involvement of foreign investors and foreign managers in the activities of joint-stock companies is one of the most pressing issues, it is important to organize a more effective dividend policy in joint-stock companies. is doing.

Accordingly, the dividend policy is part of the income management policy and is based on optimizing the share between consumed and reinvested profits in order to maximize the value of the joint-stock company and provide a financial basis for its strategic development. When choosing a dividend policy, it

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should be noted that the rule "the share price is directly proportional to the amount of dividends and inversely proportional to the interest rate on capital investments" does not apply in some cases. Shareholders can also value shares without dividend payments if they have accurate and complete information about the reduction or non-payment of dividends and the distribution of net profit, the development of the corporation.

For example, when analyzing the dividend policy of companies in the United States, the analysis showed that one in five public companies pay dividends. Some of the remaining companies paid dividends in the previous period, only later did a difficult period begin for them and they were forced to save cash. The rest of the companies that do not pay dividends are mainly developing companies. Interestingly, these companies include well-known and other small companies such as Microsoft, Cisco and San Microsystems. The main reason for these companies not paying dividends was their rapid growth, as well as the fact that they have not yet reached full profitability. Investors in these companies believed that sooner or later the company would become more profitable and its ability to pay dividends would improve[7].

According to Western financiers, the share of dividend payments in hard-working corporations should not exceed 30-40% of net profit, and the rest of the net profit (60-70%) should be spent on development.

CONCLUSION

The following conclusions have been drawn from our research on the effective organization and improvement of dividend policy in joint stock companies.

First, dividend policy plays an important role in increasing the investment attractiveness of joint stock companies.

Second, the implementation of dividend, issue and investment policies of joint-stock companies in an interdependent, as well as in the direction of maximizing profits will have a positive impact not only on the stock market, but on the economy as a whole.

Third, dividend policies of joint stock companies play an important role in the development of the stock market as a result of the expansion and reorientation of joint stock companies in the securities markets of developed countries. This situation necessitates the coordination of the activities of joint-stock companies in the national securities market with the emerging trends in the international securities market, giving priority to corporate interests.

Fourth, studying the world theories of dividend policy formation, improving the mechanism of investment activity of joint-stock companies depends on issues such as increasing the level of "free float" in the stock markets, the solution of which will bring our country to a new stage of stock market development. .

Fifth, although the dividend policy may seem irrelevant in an ideal financial environment, in real life the correct choice of dividend policy by the company's management has a direct impact on the material stability of shareholders.

[7] Lintner J. Distribution of incomes of corporations among dividends, retained earnings, and taxes. The American Economic Review, Vol. 46, no. 2, Papers and Proceedings of the Sixty-eighth Annual Meeting of the American Economic Association. (May, 2016), pp. 97–113.

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