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INCREASING INVESTMENT ATTRACTIVENESS THROUGH DISTRIBUTION OF BANK PROFITS

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Abstract. *This article studies the views of different scientists on the theoretical basisof profit distribution and dividend policy. While analyzing the statistics of dividend payouts of banks, characteristics of profit distribution and dividends are analyzed. Based on the conducted analysis, appropriate conclusions are given.*

Keywords:*banks, dividend, dividend payouts, dividend policy, stock price, dividend yield, investment attractiveness, stocks, common stocks, preferred stocks.*

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Introduction

It is known that profit maximization through the effective organization of the activities of joint stock companies in the conditions of the market economy is the main goal of the executive body and corporate management subjects. The main indicators of the investment attractiveness of banks are the amount of profit and the level of its distribution as a dividend. Today, the state of these indicators is of great importance in attracting financial resources, i.e. investments, to banks.

The issue of profit distribution in banks is one of the serious issues facing corporate management. Because each shareholder seeks to receive the appropriate part of the profit based on the share he invested. On the other hand, the managers who ensure that the joint-stock company ends the reporting period with a profit also want to receive a certain part of the profit in the form of a reward. Moreover, shareholders face the issue of reinvestment of the profit achieved in order to further develop the activities of the joint-stock company. Each of the above aspects must be taken into account in the distribution of profits. Otherwise, there may be a conflict of interests between the parties, resulting in corporate conflicts. In addition, it is necessary to take into account the possibility of attracting additional resources in order to expand the activity in the distribution of profits among shareholders. We will discuss the mechanism of profit distribution in banks below.

Literature Review

The issue of profit distribution in corporate management is first considered by the Supervisory Board. Then the Supervisory Board will introduce the issue to the general meeting of shareholders. At the same time, allocations to the reserve fund for profit distribution, issuance of additional shares as a result of reinvestment, payment of dividends on ordinary and preferred shares are considered, and appropriate decisions are made after discussion at the general meeting of shareholders.

At this point, the investment attractiveness of corporate structures is also reflected in the dividend policy, and the issue of profit distribution in banks is one of the serious issues facing corporate management. Because each shareholder seeks to receive the appropriate part of the profit based on the share he invested. On the other hand, the managers who ensure that the joint-stock company ends the reporting period with a profit also want to receive a certain part of the profit in the form of a reward. Also, shareholders face the issue of reinvestment of the profit achieved in order to further develop the activities of the joint-stock company.

Every aspect must be taken into account in the distribution of profits. Otherwise, there may be a conflict of interests between the parties, resulting in corporate conflicts. In addition, it is necessary to take into account the possibility of attracting additional resources in order to expand the activity in the distribution of profits among shareholders [1].

To determine whether the dividend payout ratio really affects shareholder welfare, we first need to analyze corporate structure's dividend policy as an important financing decision. Because this decision is directly related to the preservation of income for the needs of the development of the corporate structure.

The right to participate in the profit received by the joint-stock company is implemented on account of the dividend. The procedure and conditions for receiving dividends, as well as their amount, are determined by the dividend policy carried out by the joint-stock company. This means the role and importance of dividend policy in society and the attention paid to it in business, financial management and financial science.

When assessing the capital value of Kh. Khudoykulov joint-stock company, it was noted that the most appropriate way is to assess the capital value of dividends through interest and the amount of dividends to be paid [2].

It is known that the beginning of wide scientific discussion on dividend policy was created by M. Miller and F. Modigliani in their article. The authors point out that the value of society in market conditions does not depend on the dividend policy, but on the contrary, it focuses on the wealth of shareholders. According to them, it is determined by the ability of societies to earn income and largely depends on the effectiveness of investment policy, not on the mechanism of profit distribution. The model they presented laid the foundation for the theory of dividend mismatch. In other words, the dividend policy is not a factor affecting the market value of the company, therefore, after financing investment projects, dividends should be calculated based on the balance.

In recent decades, many researchers have studied the impact of corporate social responsibility on the market value of the firm... Corporate social responsibility does not always lead to an increase in the market value of the company. The positive impact of corporate social responsibility on the market value varies depending on the characteristics of the field in which the company operates, as well as the strategies, capabilities and characteristics of the company [3].

According to R. Herron and K. Platt, taxes on dividends reduce the net income of investors, which increases the cost of capital for firms, and also reduces the overall level of capital in the country. Firms know that their shareholders will pay dividend taxes, so higher dividend tax rates may force firms to retain earnings instead of paying dividends [4].

Every aspect must be taken into account in the distribution of profits. Otherwise, there may be a conflict of interests between the parties, resulting in corporate conflicts. In addition, it is necessary to take into account the possibility of attracting additional resources in order to expand the activity in the distribution of profits among shareholders.

Analysis and results

Dividend is the part of the company's net profit that is distributed among the shareholders. Holders of ordinary shares are entitled to receive dividends. Owners of preferred shares have the right to first receive dividends, as well as funds invested in shares during the liquidation of the company. Preference shares entitle their owners to certain dividends, regardless of whether the company makes a profit or not.

The amount and (or) value (liquidation value) of the dividend to be paid on preferred shares upon liquidation of a joint-stock company must be specified in the company's charter. The amount of the dividend and the liquidation value of the preferred shares are determined in a fixed amount of money or as a percentage of the nominal value of the preferred shares. Even if the procedure for determining the amount of dividends and the liquidation value of preferred shares is specified in the charter of the company, the amount of dividends and liquidation value of preferred shares is considered to be determined.

The charter of the joint-stock company may specify the accumulation and subsequent payment of unpaid or incomplete dividends, the amount of which is specified in the charter, on preferred shares.

Shareholders who are owners of preferred shares participate in the general meeting of shareholders with the right to vote when the issues of reorganization and liquidation of the company are resolved. The shareholders who are the owners of the preferred shares, at the general meeting of the shareholders, issues on making changes and additions to the charter of the company that limit the rights of the shareholders who are the owners of the preferred shares, including the issues of determining or increasing the amount of the dividend paid on the previous preferred shares and (or) determining or increasing the liquidation value, as well as issues of preferential shall have the right to vote when deciding the cases of granting dividends and (or) benefits in order to pay the liquidation value of these shares to the shareholders who are the owners of the shares.

Shareholders who are owners of preferred shares have the right to participate in the general meeting of shareholders with the right to vote on issues within the scope of the general meeting of shareholders, starting from the meeting after the annual general meeting of shareholders, when the decision to pay dividends on the preferred shares was not made or the decision was made not to pay dividends in full. The right of shareholders who are owners of preferred shares to participate in the general meeting of shareholders is canceled from the moment of the first full payment of dividends on these shares.

If the charter of the company provides that the preferred shares can be exchanged for ordinary shares, the charter of the company may provide for the right to vote on the preferred shares. In this case, the owner of this preferred share will have a number of votes not exceeding the number of votes on ordinary shares for which the preferred share can be exchanged.

When increasing the authorized capital of a joint-stock company, payment for additional shares of the company is made from its own capital, as well as from dividends for which it was decided to pay with additional shares, placement of such shares is carried out at the nominal value of the company's shares.

A shareholder's participation in the general meeting of shareholders, receiving dividends, and exercising other rights provided for by law in the event of corporate actions by the company are carried out on the basis of the register of shareholders of the company.

It is required to pay dividends declared for each type of shares. The dividend can be paid in cash or other legal means of payment or in the company's securities according to the decision of the general meeting of shareholders. Dividends on preferred shares cannot be paid with securities. The dividend is distributed among shareholders in proportion to the number and type of shares owned by them.

Banks have the right to make a decision on the payment of dividends on the placed shares based on the results of the first quarter, half-year, nine months of the financial year or the results of the financial year, unless otherwise stipulated in the charter of the company.

In the conditions of modernization of the economy, it is necessary to implement the following measures to effectively distribute issuers' profits, to closely link investment and dividend policies, and to increase their efficiency:

- implementation of the mechanism of privatization of large enterprises through IPO;
- it is necessary to increase the share of shares in free circulation in exchange for reducing the participation of the state in the authorized capital of large joint-stock companies;
- it is necessary to minimize tax payments or give benefits on current and future dividend income of the owner;
- to ensure wide participation of small investors in the financial market and implement mechanisms to protect their investments;
- reduction of administrative obstacles in the primary market and simplification of state registration processes for issuing securities;
- to grant exemptions from taxes and tax-free fees in the emission process and others.

If we pay attention to the participation of commercial banks in the stock market, we can divide their participation into 3 directions, i.e., the directions of activity as issuers of securities, investors and financial intermediaries. Commercial banks, as issuers, have the opportunity to increase their investment attractiveness and capitalization by paying dividends to shareholders, and play an important role in the development of the financial market in this country. Currently, we will focus on the analysis of dividend policy, dividend payments on ordinary and preferred stocks implemented by commercial banks in our country.

Table 1

Analysis of dividends on preferred stocks of Uzsanoatqurilishbank JSB

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№	Years	Nominal value of preferred stocks (soums)	Dividend on preferred stocks (in percentage of par)	Number of preferredstocks (units)	Amount of preferred stocks (million soums)	Amount of authorized capital (million soums)
1.	2018	19	23%	370 000 000	7 030	1 451 843,47
2.	2019	19	23%	370 000 000	7 030	1 876 599,72
3.	2020	19	23%	370 000 000	7 030	4 634 513,90
4.	2021	19	23%	370 000 000	7 030	4 634 513,90
5.	2022	19	23%	370 000 000	7 030	4 634 513,90

Table 1 pays attention to the analysis of dividends on preferred stocks of Uzsanoatqurilishbank JSB. According to the information, dividend yield on preferred stocks was 23 percent in 2018-2022, but dividend yield on common stocks was less than preferred stocks.

Table 2

Analysis of dividends on preferred stocks of Ipotekabank JSB

№	Years	Nominal value of preferred stocks (soums)	Dividend on preferred stocks (in percentage of par)	Number of preferred stocks (units)	Amount of preferred stocks (million soums)	Amount of authorized capital (million soums)
1.	2018	1	25%	8 052 000 000	8 052	957 715,95
2.	2019	1	25%	8 052 000 000	8 052	985 613,50
3.	2020	1	25%	8 052 000 000	8 052	2 817 444,13
4.	2021	1	25%	8 052 000 000	8 052	2 869 839,26
5.	2022	1	25%	8 052 000 000	8 052	2 989 584,34

Table 2 reflects the analysis of dividends on preferred stocks of Ipotekabank JSB. Dividend yield on preferred stocks was 25 percent in 2018-2022, but dividends on common stocks was very little.

Banks should pay attention to dividend policy the following aspects to increase investment attractiveness.

First, the constant payment of dividends by banks serves the investment attractiveness of the joint-stock company. In this case, compared to issuing corporate bonds or attracting bank loans, attracting financial resources at the expense of additional share issuance requires relatively little cost. Because the fact that regular dividend payments are being made is the reason for the investor's interest.

Secondly, at the same time that special attention is being paid to the formation of the middle class of owners in our country, we think that the rational management of the dividend policy will serve the fulfillment of this task to a certain extent. Because it is possible to attract free money in the hands of the population in order to expand the activities of banks by attracting interest in dividends. As a result of this, along with the formation of the middle class of owners, regular growth of the population's income is achieved.

Thirdly, corporate mergers and acquisitions are common in market economy. In most cases, acquisitions are carried out by acquiring a controlling stake. Non-regular or low level of dividend payments by banks leads to dissatisfaction of shareholders, which in turn causes the sale of shares to other persons, in particular to shareholders of "enemy" companies. As a result, as a result of the loss of the control package, the joint-stock company is acquired by another company, especially foreign companies. Banks can use the dividend policy in order to protect themselves from takeovers. That is, providing the shareholder with income in the form of dividends, based on market profitability, serves as a protection against takeovers.

Fourthly, today, the practice of attracting capital from international financial markets is widely used in international practice, along with attracting capital from national financial markets in financing the activities of banks. Special attention is paid to the issue of attracting foreign capital through IPO. Banks spend years preparing for an IPO, making presentations to potential investors. One of the main points of interest to the investor during the presentations is the direct share profitability index. Therefore, we can say that conducting a reasonable dividend policy, in turn, serves as a basis for taking shares to international stock exchanges.

Conclusion

The mechanism of profit distribution, dividend, emission and investment policies of banks are carried out in a mutually dependent manner and in directions aimed at obtaining maximum profit, which positively affects not only the stock market, but also the entire economy. But in some cases, the dividend policies of many large banks can negatively affect the further development of the stock market. In general, the interrelated implementation of these policies will help to solve a number of problems facing the state, in particular, unemployment, attracting the population to entrepreneurship, paying taxes on time, and developing the national stock market.

As a result of the expanding scope and direction of activities of joint stock companies in the stock market of developed countries and taking a new shape, profit distribution mechanisms and dividend policies of joint stock companies play an important role in the development of the stock market. 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. For this, it is necessary to eliminate the factors that negatively affect the increase of the dividend, emission and investment policies of joint stock companies in the stock market and to create important conditions that shape their role in the stock market.

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