Vol 2/ №1
EUROPRAN YOUTH INNOVATION SOCIETY CONFERENCE
www.eyis.org.uz
2025-2026

FOREIGN EXPERIENCE OF DIVIDEND POLICY OF COMMERCIAL BANKS

Kunarov Ruslan Rustamovich
National Bank for Foreign Economic Activity of the Republic of Uzbekistan

If we focus on international practice, the process of paying dividends by commercial banks may seem simple. An investor invests in dividend-paying stocks, and payments are made to commercial banks at the end of the specified dividend payment period. If we analyze foreign commercial banks, we can usually observe that the dividend payment period is quarterly. Focusing on the stages of dividend payment, there are four stages of the dividend payment process (Figure 1).

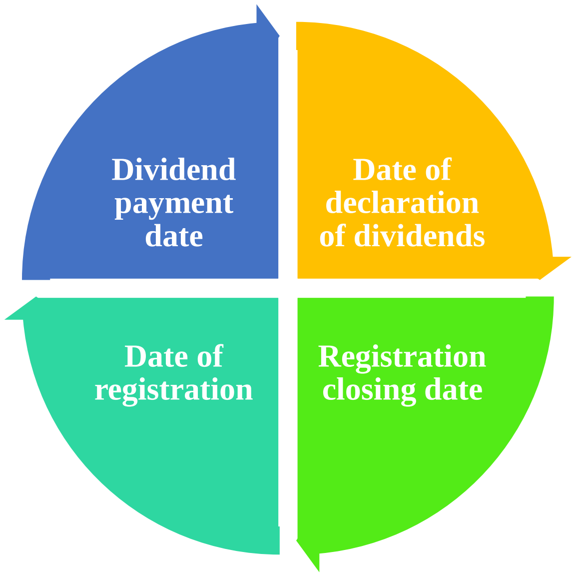

Figure 1. Stages of payment of dividends[1]

Investors should familiarize themselves with all four stages before purchasing dividend-paying stocks, as determining the dates of their implementation will help avoid possible confusion. The 4-stage dividend payment process is as follows (Figure 1).

In stage 1, commercial banks announce the dividend payment. Therefore, this stage is called the dividend declaration date.

In stage 2, banks determine which shareholders will receive the dividend, that is, a register is formed. Shareholders who own shares before the dividend payment date receive the next dividend payment. Stage 3 is the registration date, which allows banks to determine who will receive the dividend. Stage 4 is the dividend payment date, when dividends are paid to shareholders.

[1] S.E.Elmirzayev. Zamonaviy korporativ boshqaruv. // Darslik. – T.: “Iqtisod-Moliya”, 2019. – 351-b.

The issue of calculating dividend yield is always of interest to investors. Therefore, we will consider the practice of calculating this indicator. In this case, it is necessary to divide the annual dividends paid per share by the price of each share.

Dividend yield = Annual dividends paid per share / price of each share

For example, if a commercial bank paid a dividend of 700 soums per share and its shares are currently worth 15,000 soums, its dividend yield will be 4.66%. Based on the practice of our country, we can say that such profitability, due to the influence of the inflation rate in our country, the refinancing rate of the Central Bank of the Republic of Uzbekistan, the cost of capital, and similar indicators, does not satisfy shareholders and potential investors. In the practice of developed countries, in conditions of low inflation, such profitability is beneficial for investors.

Banks have a relatively efficient system, and this efficiency is based on what information is available to market participants. Regulators in banking systems around the world play a key role in disseminating information about the financial condition of banks to the market. One of the important ways in which market regulators study internal information is to study dividend payments. A sound dividend policy depends on the stability and capitalization of the banking system. Stability is ensured by preventing banks from making expensive transactions in conditions of uncertainty caused by insufficient information. Germany has a stakeholder-based governance system, and interests are most pronounced in the ownership of bank shares and participation in the boards of directors of banks. Conflicts often arise between large shareholders and small shareholders. Also, agency problems in the management of free cash flows play a more important role for German companies than for companies in the Anglo-Saxon model. It is noted that German corporations and banks are willing to reduce dividends in the event of a decrease in profits. The issue of profitability is an important factor in determining the amount of dividends that German commercial banks pay to their shareholders. In the practice of German corporations and banks, when profitability is temporarily lower, dividends are often reinvested. In addition, there is the role of banks as controlling shareholders and their influence on dividend policy. Dividend payments by commercial banks serve as a major guarantee for loans taken out[2].

In international practice, special attention is paid to a number of financial indicators that affect the dividends of commercial banks. The study of such indicators makes it possible to forecast the current and future financial situation of commercial banks. Such indicators include asset management ratio, leverage ratio, profitability ratio, valuation ratio, growth rate etc. We will touch on these indicators below (Table 1).

Table 1

Indicators affecting dividends and their application[3]

[2] Kerstin Trotz. Comparing dividend policies between Germany and the Netherlands: a test of the life-cycle theory. // http://essay.utwente.nl/63736/1/Bachelor_Thesis_Kerstin_Trotz.pdf

[3] Raed KANAKRIYAH. Dividend Policy and Companies' Financial Performance. // Journal of Asian Finance, Economics and Business Vol 7 No 10 (2020) 531–541. https://www.koreascience.or.kr/article/JAKO202029062616556.pdf

Indicators	Type	Abbreviation	Application
Return on Assets	Dependent	ROA	Used to measure financial performance
Return on Equity	Dependent	ROE	Used to measure financial performance
Dividend Yield	Independent	DY	Dividend Yield = Dividends paid per share / Share price
Dividend Payout Ratio	Independent	DPR	The ratio of dividends paid by the company to its earnings
Current Ratio	Independent	CRA	Measured as current assets divided by current liabilities
Leverage Ratio	Independent	LRA	Measured as total debt divided by total assets
Commercial Bank Size	Independent	FSIZE	Natural logarithm of total assets

Table 1 systematically presents the main financial indicators used in evaluating the performance of commercial banks and companies, clearly showing the type, abbreviation, and practical application of each indicator. In particular, ROA and ROE are classified as dependent variables and are used to measure how efficiently a company or bank utilizes its assets and equity, making them key indicators of financial performance. The indicators DY and DPR are considered independent variables and reflect the effectiveness of dividend policy and the level of income generated for shareholders. The CRA indicator is used to assess a company's liquidity position by measuring its ability to meet short-term obligations. The LRA indicator helps evaluate the degree of financial leverage and the level of risk associated with debt financing. Meanwhile, FSIZE represents the scale of a bank or company's operations and is used to analyze its market position and overall capacity. Overall, the indicators presented in this table form a comprehensive analytical framework that supports financial analysis, investment decision-making, and the evaluation of dividend policies.