

CONFLICTS BETWEEN SHAREHOLDERS AND DIVIDEND POLICY
EFFECTIVENESS

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Abstract. The relationship between shareholder disputes and joint-stock companies' dividend policy performance is investigated in this article. The research demonstrates that ongoing shareholder disputes create major distortions in dividend decision-making processes which lead to decreased company valuation across both developed and emerging market countries including Uzbekistan.

Keywords: dividend policy, shareholder conflicts, agency theory, corporate governance, information asymmetry, joint-stock companies, emerging markets.

Аннотация. В данной статье исследуется взаимосвязь между конфликтами акционеров и эффективностью дивидендной политики в акционерных обществах. Результаты исследования подтверждают, что неурегулированные конфликты между акционерами существенно искажают дивидендные решения и снижают стоимость компании как в развитых, так и в развивающихся рыночных условиях, включая Узбекистан.

Ключевые слова: дивидендная политика, конфликты акционеров, агентская теория, корпоративное управление, информационная асимметрия, акционерные общества, развивающиеся рынки.

Annotatsiya. Ushbu maqolada aksiyadorlik jamiyatlarida aksiyadorlar o'rtasidagi ziddiyatlar va dividend siyosatining samaradorligi o'rtasidagi o'zaro bog'liqlik o'rganiladi. Tadqiqot natijalari shuni tasdiqlaydiki, aksiyadorlar o'rtasidagi hal etilmagan ziddiyatlar Uzbekiston ham kirgan rivojlangan va rivojlanayotgan bozor sharoitlarida dividend qarorlarini sezilarli darajada buzadi va kompaniya qiymatini pasaytiradi.

Kalit so'zlar: dividend siyosati, aksiyadorlar ziddiyatlari, agent nazariyasi, korporativ boshqaruv, axborot assimetriyasi, aksiyadorlik jamiyatlari, rivojlanayotgan bozorlar.

Introduction. The ongoing debate about dividend policy which affects corporate finance because it directly impacts shareholder wealth and creates competing demands between different equity investor groups remains unresolved. Companies that issue stock to their investors will not base their dividend payments on financial metrics alone because they serve as a political tool that shows governance power distribution between major shareholders who control most of the company and institutional investors who have minority ownership and management representatives. The classical position articulated by Miller and Modigliani postulated that under perfect market conditions, dividend policy is irrelevant to firm value [1]. The theorem assumes conditions that include no taxes and no transaction costs and symmetric information and no agency conflicts which do not exist in the real world especially in transitional economies like Uzbekistan that have developing institutional frameworks and highly centralized ownership structures [2].

Methodology and Literature Review. The research employs a systematic literature review method together with analytical synthesis. The study uses agency theory which Jensen and Meckling first developed as its main theoretical framework [3]. The theory explains that conflicts emerge when managers and controlling shareholders select different objectives than what

minority equity holders want to achieve because they aim to build corporate empires and keep excessive earnings and misuse company resources. Rozanov discovered that Russian joint-stock companies with concentrated ownership structures need to treat their minority shareholders worse than other companies when they distribute dividends because controlling shareholders use retained earnings to support their private ventures instead of creating value for the entire company [4]. Shleifer and Vishny showed that in markets where legal systems lack effective protection for minority shareholders major blockholders use their power to gain private advantages which reduces dividend distributions and creates a situation where dividends become a tool for expropriation [5].

Karimov examined how Uzbek joint-stock companies operate their corporate governance system and discovered that two issues exist because companies do not meet disclosure requirements and the government holds most ownership rights which together impede dividend information release while blocking minority shareholders from making corporate decisions [6]. La Porta et al. proved that investors get different levels of protection according to the legal system that operates in their country because common law systems offer more safeguards than civil law systems which also influence how much companies distribute dividends to shareholders [7]. Faccio and Lang proved through their study that family-owned companies in civil law systems tend to reduce dividend payments because they prefer to reinvest their profits for the benefit of their controlling family members [8]. Guseva found through his research on Russian corporate dividend practices that state-owned companies face extra dividend payment challenges because their management uses dividends as a tool to meet governmental or political needs rather than achieving financial efficiency goals [9].

Results and Discussion. The synthesis of the reviewed literature permits several substantive conclusions about the relationship between shareholder conflicts and dividend policy effectiveness. First, it is clear that the presence of concentrated ownership — whether by families, the state, or dominant institutional blocks — systematically reduces dividend efficiency by enabling controlling parties to substitute their private preferences for value-maximizing distribution decisions. The theoretical prediction of agency theory is thus confirmed across multiple empirical and analytical studies: where monitoring mechanisms are weak and legal protection inadequate, the dividend becomes less a signal of financial health and more an instrument of power. Second, information asymmetry compounds this problem significantly [10]. Minority shareholders who lack access to internal financial data cannot distinguish between legitimate reinvestment decisions and opportunistic earnings retention; this uncertainty reduces their ability to exercise governance rights and increases their cost of capital, ultimately damaging firm valuation.

Third, the literature consistently shows that dividend policy conflict is not merely a distributional problem but a signaling problem: when the market cannot trust that declared dividends reflect genuine corporate performance rather than strategic concessions to dominant shareholders, the informational content of dividend announcements is degraded. This is particularly relevant in emerging markets, including Uzbekistan, where the analyst community is thin, financial reporting quality is variable, and corporate governance reform is ongoing. Taken together, these findings suggest that the effectiveness of dividend policy cannot be evaluated in isolation from the governance environment in which it operates. A formally sound dividend policy that declares regular payouts can still be ineffective if the amounts are set by controlling shareholders to pacify rather than reward minority holders, if disclosure around the decision is inadequate, or if the payout is structured in ways that legally disadvantage certain share classes. The path to genuine dividend policy effectiveness therefore requires simultaneous improvements in legal minority shareholder protection, mandatory and audited financial disclosure, board independence from controlling shareholders, and capital market institutional capacity.

Conclusion. Shareholder conflicts constitute a fundamental obstacle to the effectiveness of dividend policy in joint-stock companies, particularly in transitional and emerging market economies. The agency problem, reinforced by information asymmetry and weak institutional protection of minority shareholders, allows controlling shareholders and management to instrumentalize dividend decisions for purposes that diverge from maximizing total shareholder value. The reviewed literature — drawn from Uzbek, Russian, and international scholarship — consistently supports the conclusion that dividend policy effectiveness is inseparable from the quality of corporate governance. For Uzbekistan, where ownership concentration remains high and capital market institutions continue to develop, addressing shareholder conflict through legislative reform, enhanced disclosure obligations, and stronger enforcement of minority shareholder rights is a prerequisite for dividend policy to function as a genuine mechanism of value distribution and investment signal.

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