

Investment and Dividend Policy of Oil and Gas and other Russian Companies: Financial Aspect

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Abstract: In the article features of formation of investment and dividend policy of oil and gas and other the Russian companies are presented: financial aspect, existing problems are revealed and the corresponding recommendations are offered. The extensive world practice and its invaluable experience in the field of formation of effective investment and dividend policy can help to solve a number of problems to the Russian public joint-stock companies. The analysis, systematization and generalization of the theory and practice of payment of dividends by Russian joint-stock companies are carried out, forecasts are made.

Keyword: Dividend and investment policy, Russian public oil and gas and other companies, dividend payout statistics, dividend stability index, dividend signal theory.

I. INTRODUCTION

In recent years, the interest of Russian companies to improve their reputation has increased, which in turn affects their market capitalization. Also, in the current macroeconomic environment, it is becoming increasingly difficult for companies to attract investment in the securities market, so large public companies began to pay special attention to their investment and dividend policy.

Despite the fact that the world practice has extensive experience in the field of investment and dividend policy, the Russian reality requires its individual approach. The Russian stock market began to develop relatively recently, in the early 90-ies, then in connection with the initial privatization of state-owned companies, the company's shares were distributed mainly among employees of enterprises, which gave a special specificity to the domestic stock market.

At the moment, in many Russian public companies, the process of forming investment and dividend policy is unsystematic, as managers have not accumulated sufficient experience in this area and do not see all the advantages of planning in the investment and dividend policy of the company. Undoubtedly, the situation is gradually improving, and the largest companies have clear goals and objectives for strategic development, which already have a percentage to encourage their

shareholders. However, companies that have their own dividend policy make up a very small part.

Until now, the largest shareholder of the group of leading public companies is the state, thus it fills the budget through dividend payments from these companies. It is worth noting that this is a significant source of the Russian budget. For a long time, the level of dividend payments on the state block of shares remained insufficient, and since 2016 the Russian Government has been taking active measures to force key companies to send at least half of their profits for dividends. This measure will increase the revenue part of the budget and increase the efficiency of the use of state property.

Extensive international practice and its invaluable experience in the field of effective investment and dividend policy can help solve a number of problems of Russian public joint stock companies.

II. LITERATURE REVIEW

The contradictions between information asymmetry, dividend and investment policy in the context of raising the level of the stock market require further study, especially for the Russian market. The Russian corporate governance model is only at the stage of formation. There is a high information asymmetry in the Russian market, as there is a lack of reliable information due to the fact that the degree of openness of domestic corporations is very low (Gaponenko V. F., 2015) This state is due to pressure from government agencies and the possibility of raider attacks, which were present in the nineties (Gaponenko V. F.,

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Bespal'ko A. A., Vlaskov V. A., 2007). Administrative barriers for companies to survive in the Russian market. At the same time, the current management model is close to the insider one as a threat to the economic security of the state, which is characterized by such features as long-term development of the company, low bankruptcy risks, predictability of internal and external factors, high efficiency of control mechanisms with respect to management (Gaponenko V. F., Alaberdeev R. R., 2016).

In view of the above, the Russian economy is a suitable platform for identifying the link between information asymmetry, dividend and investment policy. A controlling shareholder can not only easily acquire information, but also decide when or how to convey relevant information to the capital market. Thus, in Russian listed companies, ownership structure affects information communication and affects dividend and investment policies.

The results of the study show that in Russia, when the information asymmetry is higher, the dividend payments will be lower. The dividend policy is not a tool for transferring information to the capital market. Regarding the decreasing effect of the ownership structure, it was found that state-owned enterprises with higher information asymmetry tend to pay dividends.

More than 300 companies from the non-financial sector representing various industries were selected as a sample for the study. All considered companies are joint stock companies in their legal form, whose shares are traded on the Moscow exchange.

The article considers the statistics of dividend payments in conjunction with the various indicators of the selected companies in the period from 2005 to 2017, thus covering a 13-year period covering such important macroeconomic events as the Financial and economic crisis of 2008-2010 and the Currency crisis of 2014-2015 in Russia.

Since about 2005, the year began to actively develop the Russian stock market, in 2006 the total trading volume in stock market amounted to more than \$500 billion at the same time actively make changes to the Federal law "On joint stock companies" dated 26.12.1995. At that time, there were too many joint stock companies in Russia — about 186,000, of which presumably 185 thousand were never going to be OAO (Victor Pleskachevsky, 2006). The fact is that they

were forced to be open by the law on privatization. The new amendments created a mechanism that allows not to displace small shareholders, but small joint-stock companies in another legal form — LLC (limited liability company), which actually happened. At the moment, Russia has a little more than 2.5 thousand public companies, and this is 14% less than a year ago (the acceleration of the reduction is due to the transition of public companies to non-public status) and 3 times less than 7 years ago. In 2010, before the reform of corporate legislation and approval of the procedure for companies' refusal to disclose information, the number of issuers that meet all disclosure requirements currently imposed on public companies reached 7,663 (Center corporate disclosure, 2018). At the end of May 2018, according to the disclosure Center, the number of companies that, when bringing their charters in accordance with the Civil code (CC) of the Russian Federation, identified themselves as PJSC, amounted to slightly more than 1,200 in Russia.

Thus, the analyzed sample is a third of all public companies in Russia, while this third has the largest market capitalization and the revenue is 95% of the revenue of all Russian PJSC.

Below are the top 20 companies by capitalization, all of them are also included in the sample, except for the financial sector companies.

The analysis of the available data revealed that the number of firms paying dividends is increasing every year. Their number has almost tripled in the last 7 years, as shown in the table below:

For 2018, the year of the companies, which paid dividends a few below that might be related to the fact that at the beginning of 2018, not all of the company adopted decision on payment of dividends on the results of the 2017 year, as well as General reduction in the number of issuers.

Next, consider the companies that pay dividends by sector (Figure 1), the number of representatives from different economic sectors and the total amount of dividends they paid to their shareholders.

At the end of 2017, the total volume of state companies' dividends increased by 15% to 538 billion rubles, of which 55% was accounted for by Gazprom and Rosneft.

The last 7 years (2010 – 2017) are characterized by a positive dynamics of dividend payments, namely a

Table 1: Top 20 Russian Companies by Capitalization at the End of 2017

№	Company	Sector	Capitalization at the end of 2017, million dollars
1	Sberbank	Banks and financial services	84 311
2	Gazprom	Oil and gas production and refining	53 349
3	Rosneft	Oil and gas production and refining	53 304
4	LUKOIL	Oil and gas production and refining	48 993
5	NOVATEK	Oil and gas production and refining	35 543
6	MMC "Norilsk Nickel"	Metallurgy	29 511
7	Gazprom Neft	Oil and gas production and refining	20 165
8	Tatneft	Oil and gas production and refining	17 959
9	Surgutneftegas	Oil and gas production and refining	17 191
10	NLMK	Metallurgy	15 349
11	Severstal	Metallurgy	12 985
12	Yandex	It	10 669
13	RUSAL	Metallurgy	10 659
14	VTB Bank	Banks and financial services	10 595
15	Pole	Mining	10 482
16	Magnet	Trade	10 382
17	X5 Retail Group	Trade	10 256
18	ALROSA	Mining	9 584
19	MTS	Telecommunications	9 578
20	MMK	Metallurgy	8 210

Source: RIA Rating according to the Moscow exchange, foreign exchanges, issuers and the Central Bank of the Russian Federation.

Table 2: Dynamics of the Number of Companies that Paid Dividends
Year of the company that paid dividends Total number of companies whose shares are traded on the exchange

Year	Of the company that paid dividends	Total number of companies whose shares are traded on the exchange
2005	53	258
2006	66	309
2007	72	328
2008	69	307
2009	60	322
2010	67	342
2011	138	313
2012	121	271
2013	140	270
2014	153	255
2015	157	252
2016	172	242
2017	129	230

Source: based on data from the Moscow exchange and Bloomberg.

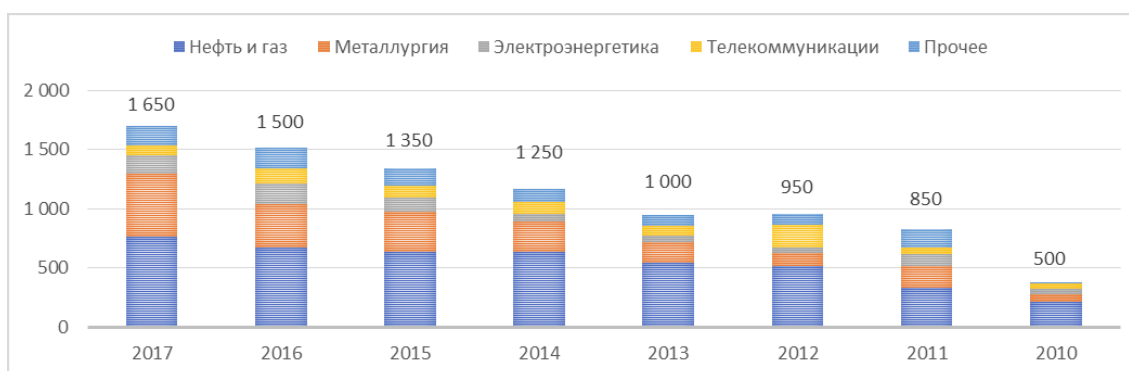


Figure 1: Dynamics of dividend payments by sector from 2010 to 2017. Source: Bloomberg.

pronounced trend of increasing payments. In 2010, the amount of accrued dividends amounted to 163 540 million rubles, which is almost 50 million rubles more than in 2009. For example, in 2014 this figure reached 385 666 million rubles, exceeding the same figure in 2009 by 3 times.

It is not surprising that the maximum revenues for the Federal budget are brought by the extraction and primary processing of raw materials, which occupy a significant share in the structure of state non-tax revenues. The analysis of these payments revealed that the lowest value was in 2009, in which there was only 26.95%. However, in 2010, the share of revenues from the extraction and primary processing of raw materials increased to 39.02% and remained at about the same level until 2015. In 2015, we see growth that can be explained by global factors affecting the Russian economy and the domestic market. A similar dynamics is observed further. There is a General trend towards further growth, which undoubtedly came into account both large investors and investors with average capital. According to the results of 2017, the increase in payments continued for all Russian companies paying dividends, the growth of dividends amounted to more than 11%.

In 2017, the main share is also comprised of oil and gas companies and metals mining companies, accounting for 80% of all dividends paid.

Below (Table 3) five companies with the highest dividend payments are represented:

Despite the General increase in dividends for 2017, companies in certain sectors have the opposite trend. Such companies, for example, include companies in the chemical industry, companies in the real estate sector.

Further, during the analysis, the companies were arranged for another, no less important indicator, and for investors, even more important, for a dividend per share, or DPS (Table 4).

PJSC "ALROSA-Nyurba" consistently pays high dividends to its main shareholder, ALROSA, which owns 88% stake. In second place were "Ural airlines", the company received a record profit at the end of 2016, half of which was directed to the payment of dividends. The main shareholder of the company is its owner Sergey Skuratov, who owns 91% of the company's shares. Transneft is in third place, which

Table 3: Top-5 Companies by Total Dividend for 2016 (Paid in 2017)

Company name	Sector	Dividends, mln. RUB
PJSC "Gazprom"	Of Oil and gas	190 328
PJSC "Oil company "LUKOIL"	Of Oil and gas	174 365
PJSC "Mining and metallurgical company "Norilsk Nickel" metallurgy	Metallurgy	173 361
PJSC Tatneft imeni V. D. Shashina	Of Oil and gas	108 479
PJSC "Oil company" Rosneft "	Of Oil and gas	104 000
A total of:		750 533

Source: Bloomberg and issuers' reports.

Table 4: Top-10 Companies by Dividend Per Share at the End of 2016 (Dividends Paid in 2017)

Company name	Dividend per share, RUB	Sector	Total, mln. rubles
PJSC "ALROSA-Nurba"	12 796	Metallurgy	13 183
Ural airlines, JSC	8 000	Transport	1 123
PJSC "Transneft"	4 296	Oil and gas production	56 159
PJSC "Norilsk Nickel"	446	Metallurgy	82 530
PJSC "Polyus"	152	Extraction of PI	34 124
PJSC "Severstal"	112	Metallurgy	65 769
PJSC "Oil company "LUKOIL"	85	Oil and gas production	174 365
OJSC "Cherkizovo Group"	73	Trade	3 454
PJSC "Fortum"	73	Electric power industry	64 395
JSC "Tatneft" named after V. D. Shashin	50	Oil and gas production	24 717

Source: Bloomberg.

sent 25% of its net profit under IFRS to pay dividends to the state budget.

Over the past five years, the leaders in terms of the size of the DPS has not changed, which is in principle characteristic, since the company uses a stable dividend policy. In Russia, dividends are mainly paid at year-end, despite the fact that, according to the law, the company has the right to pay them quarterly in cash.

The dynamics of DPS over the last 11 years (from 2006 to 2017) for 10 companies that consistently pay dividends is shown in (Figure 2).

On the vertical axis, earnings per share in rubles are deferred for all companies, except Norilsk Nickel and Transneft, for which there is an axis on the right.

For the entire period of the company's oil and gas sector paid the highest dividend in 2007, Then experienced a sharp decline in 2008, then — a sharp increase in payments. In 2012, leaders in the field of payment of the dividend was JSC LUKOIL, "Rosneft", OJSC "Gazprom". Thus, the latter, whose revenue and net profit amounted to 4765 billion and 1211 billion rubles, respectively, paid about 5.99 rubles per share with dividend yield of 4.36%. "Rosneft" paid the sum of RUB 8.05 per share with dividend yield of 1.5% and net

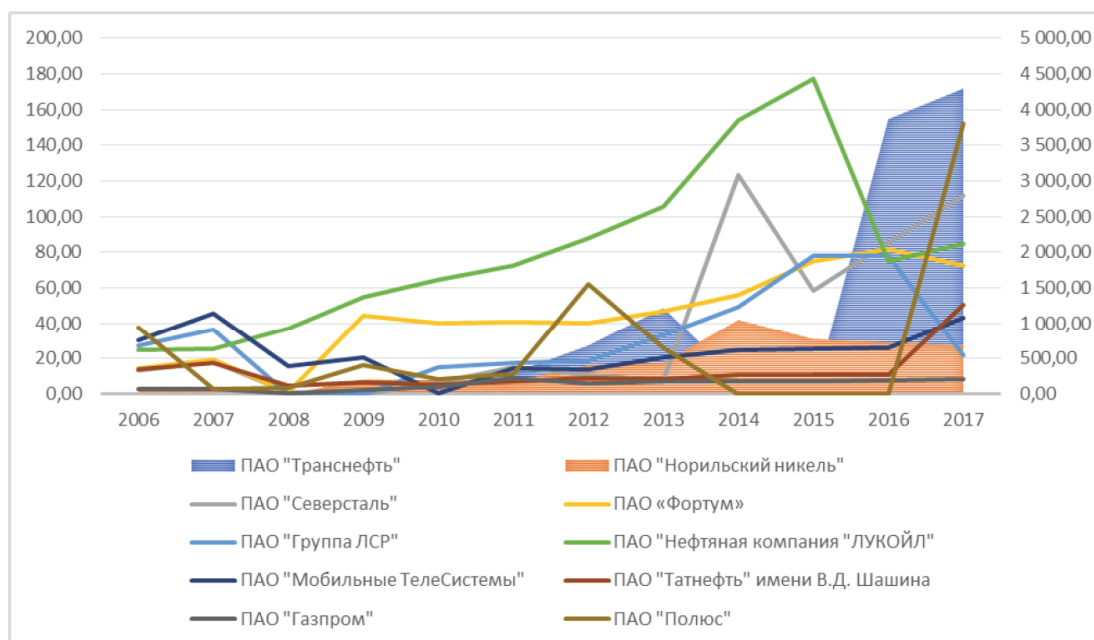


Figure 2: Dynamics of changes in the dps indicator from 2006 to 2017. Source: Bloomberg.

profit of 342 billion rubles of the three most generous was LUKOIL (76,62 RUB. per share at dividend yield of 4.03%). This appears to be due to the fact that after the company's dividend policy was revised in 2009, payments increased to 20% of net profit. During the pre-crisis period (2004 to 2007), companies in the metals and mining industry saw an increase in dividend payments. A sharp decline occurred in 2008, In 2009 the payment is almost back to a pre-crisis period; from 2009 to 2011, the trend of moderate decline. The highest payouts happened in 2012 — a clear leader Norilsk Nickel paid RUB 180,18 per share at 3.1% dividend yield. In the telecommunications market from 2004 to 2007 dividend payments steadily grew, while the peak was in 2007 At this time, VimpelCom paid RUB 270 per share with dividend yield of 1.8%, JSC "MTS" — 14,85 RUB per share in the yield of 5%. The lowest dividend paid by Rostelecom in 2007 was 1.94 rubles per share at a yield of 6.9%. As expected, in 2008 payments fell sharply, and then there was a tendency to a weak increase. In the field of transport, the lowest dividends were recorded in 2009 in the post-crisis period; the highest are in 2011 and 2012.

Consider the dividends relative to the share prices of the companies in question. As you know, dividend yield is the ratio of the amount of annual, interim and unscheduled dividends for the previous year to the share price. The indicator allows to estimate approximately the return on investments in securities due to dividend payments: how much the investor will

receive from the company's profit for each ruble invested in the Issuer's shares. When calculating the closing prices on the date of the proposed purchase, it is assumed that the investor purchased the shares at the end of the year preceding the settlement year and remained the owner of the securities on all the dates of closing the registers for payments in the past year (thus, the accumulated dividend amounts for 2017 will be compared with the share prices

It is possible to notice that the rate of dividend payments in the Russian market is relatively low, but at the same time a high dividend yield is achieved, which allows us to say that the stock market as a whole is profitable.

As noted earlier, investment policy, rather than dividend policy, is a higher priority for Russian public companies. Russian companies prefer to guarantee a low interest rate, without taking on large obligations to shareholders. The dividend on the shares is low, but sufficient to demonstrate to investors that the company is growing steadily and is able to make payments, but still most of the profits prefer to invest in its development. This is the so-called "flexible" dividend policy.

Such behavior of companies shows that they are still wary of the fact that dividend payments can also successfully stimulate the growth of the value of the company's shares, as well as reinvested profits. Thus,

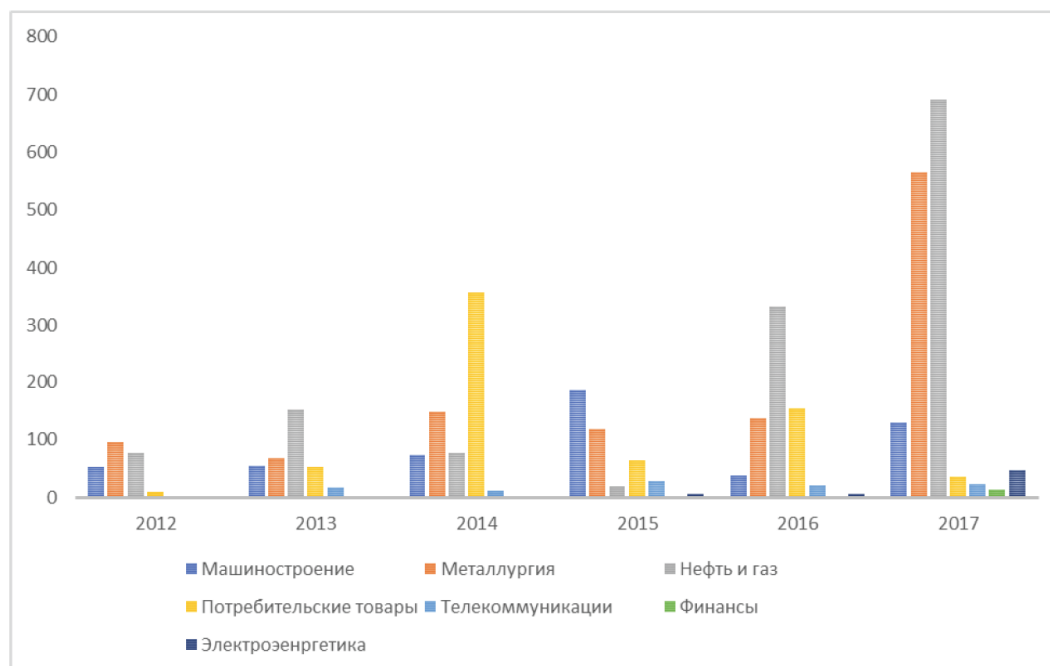


Figure 3: Dynamics of changes in the average DPS in the sector from 2012 to 2017. Source: Bloomberg.

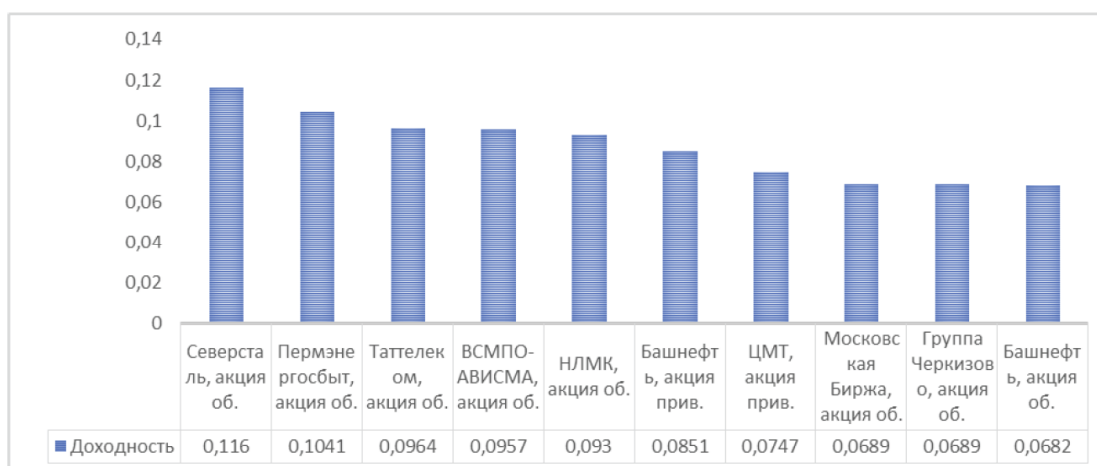


Figure 4: The most profitable shares in 2017. Source: Moscow exchange analyst.

companies do not use all the advantages of a more active dividend policy.

III. THE MODEL

Also, for each company the author has calculated such indicator as the dividend stability index (DSI), which determines how stable the company pays the dividend and increases the amount of payment. The data for the last 7 years (from 2011 to 2017) are taken as a basis.

Calculation formula: $DSI = \frac{Y_c + G_c}{14}$,

where:

Y_c - how many years of the last seven years the company has paid dividends during the year.

G_c - how many times in the last seven years annual dividends per share were above the previous maximum.

According to the results of the study, 64 companies were identified, whose DSI index exceeded 0.6, this shows that dividends are paid on the shares of these companies relatively stable, and there is a tendency to increase them, that is, these companies adhere to growth policy.

The table below shows the top 15 companies with the highest DSI, in other words, with the most stable and growing dividend payments identified on the basis of analysis of the last 7 years.

In analyzing the table, it can be noted that most of the above companies belong to the extractive sector,

and for the most part the ultimate recipient of their dividends is the state.

According to the signal dividend theory, managers who know insider information about future corporate growth transmit this information to external investors through dividend payments, which is a threat to the economic security of the state. Therefore, the signal hypothesis suggests that there is a direct relationship between information asymmetry and dividend payments. However, Li and Zhao (Li. K., Zhao. X., 2008) in their study of us stock markets found a feedback between information asymmetry and dividend policy. In other words, when information asymmetry is lower, firms are more likely to pay dividends, which is incompatible with the conclusion of the signal theory.

For the theory of principal-agent (or Agency theory Jensen and Meckling) dividends may represent a means of mitigating the problem of the agent. By distributing the free cash flow through dividends, the possibility of its withdrawal by managers can be reduced. In the study Of La Porta *et al.* (La Porta, R., Lopez-de-Silanes, F., Shleifer, A., 1999), it was found that, in countries with better institutional protection of investors, dividends play a crucial role in reducing the agent problem, while dividends are insignificant in countries with a weak institutional environment for investor protection. However, in previous studies of information asymmetry and dividend policy, the focus was mainly on developed markets. While emerging markets are more inefficient, and information asymmetry is higher.

In the study, Abrutyn and Turner (Abrutyn, Stephanie and Turner, Robert W., 1990), it was found that 63% of financial managers are among the reasons

Table 5: The Company, which Pays Dividends in the Most Stable Way

No	Issuer	Y	G	DSI
1	"ALROSA" (OAO)	7	6	0,93
2	PJSC "NOVATEK"	7	6	0,93
3	PJSC "Territorial generating company №1"	7	6	0,93
4	PJSC LUKOIL Oil company	7	5	0,86
5	PJSC "Tatneft" named after V. D. Shashin	7	5	0,86
6	PJSC "Transneft"	7	5	0,86
7	PJSC "Magnet"	7	5	0,86
8	PJSC "Federal hydro-generating company-RusHydro"	7	5	0,86
9	PJSC "Mosenergo" power and electrification	7	5	0,86
10	PJSC "Interregional distribution network company of the Center and the Volga region"	7	5	0,86
11	JSC "Kazan motor-building production Association"	7	5	0,86
12	PJSC "Gazprom"	7	4	0,79
13	Mining and metallurgical company Norilsk Nickel PJSC	7	4	0,79
14	PJSC "Oil company" Rosneft "	7	4	0,79
15	Severstal PJSC	7	4	0,79

Source: author's calculations based on data from Bloomberg.

that explain the dividend policy of the company, the first and second place in importance put signal the possibility of dividends. The signal theory assumes that there is an information asymmetry between management and external investors, which can be reduced through dividend payments (one of the ways of information transfer to the market). Compared to share repurchase, dividend payments imply not only a positive operating Outlook, but also significant confidence in future cash flows. Managers can reduce information asymmetry through dividend distribution, and the higher the level of information asymmetry, the higher the dividend payments. For investors, their perception of dividend payments should be more pronounced in firms with higher information asymmetry. However, another study conducted in 2008 by Li and Zhao (Li. K., Zhao. X., 2008) challenged this assertion of the signal theory.

Hypothesis 1. Information asymmetry and dividend payments are inversely dependent.

Most Western companies are managed by several large shareholders. Concentration of ownership is especially evident in countries with weak mechanisms for the protection of shareholders, as the holders of the controlling stake can obtain private benefits at the expense of minority shareholders. Byun and others (Byun, H., Hwang, L., Lee, W., 2011) studied the effect

of concentration of ownership in the Korean distinguishes firms on the information asymmetry and demonstrated that concentrated ownership may interfere with the transmission of information. In addition, this negative effect is stronger than the impact of the institutional environment or internal corporate governance. Anderson *et al.* (Anderson, R., Duru, C.A., Reeb, D.M., 2009) pointed out that a controlling shareholder may limit the disclosure of corporate information to reduce the transparency of firms. Thus, ownership concentration is positively associated with information asymmetry.

Hypothesis 2. State ownership reduces the effect of information asymmetry.

Accordingly, in order to test the hypotheses put forward, a search was made for a suitable basis for analysis. The sample consisted of more than 200 Russian companies listed on MICEX, the period under consideration: 2009-2015. Data were collected from such information sources as Bloomberg and Ruslana. The companies of different sectors are gathered, they are included in the first hundred of capitalization.

We construct the following regression model showing the impact of ownership structure and asymmetry where the dependent variable (Div) will be the dividend payout.

$$\text{Div}_{i,t} = \beta_0 + \beta_1 \text{ASY}_{i,t} + \beta_2 \text{OWN}_{i,t} + \beta_3 \text{ASY}_{i,t} * \text{OWN}_{i,t} + \text{Control Variables} + \varepsilon_{i,t}$$

Following Drobeta (Drobetz, W., Gruninger, M.C., Hirschvogel, S., 2010), we define information asymmetry as the standard deviation of the errors in the forecasts of the revenue of the company made by analysts by Bloomberg, calculated by the following formula:

$$\text{ASY} = \ln \left(1 + \frac{\text{Стандартное отклонение от прогнозов аналитиков}}{\text{медиана прогноза}} \right).$$

The measurement is based on forecasts of at least two analysts for each company for each year. The more scattered the forecasts are, the more uncertain the information will be.

OWN is a qualitative fictitious variable, which is equal to 1 if the company is a state-owned company, and in the case when the state does not own a controlling stake, the variable is equal to 0.

Control Variables-control variables include such indicators as return on assets (ROA), liquidity ratio, and profit margin.

According to (Table 6) it can be seen that there is an inverse relationship (the coefficient is negative) between information asymmetry (ASY) and dividend payments (DIV), that is, when the information asymmetry is higher, companies prefer not to pay dividends. That coincides with the conclusion from the work of Li and Zhao (Li. K., Zhao. X., 2008) that the payment of the dividend does not reduce the information gap. However, Table 2 shows that this variable (ASY) has no significant effect on dividend payments (Prob (Or P-value) > 0.05). The results of the linear regression show that the form of ownership in the company (state or not) and return on assets (control variable) are significant for dividend payments. On the chart (Figure 5) it is clear that there is an effect of asymmetry, but there are certain exceptions that do not fall under the calculated values.

Table 6: Correlation Matrix Showing Dependencies between Variables

	DIV 2	ASY	OWN	ROA	Liquidity	Profit Margin
DIV 2	1					
ASY	-0.17411	1				
OWN	0.142487	0.244384	1			
ROA	0.2608	0.008572	0.140861	1		
Liquidity	-0.02553	0.17664	0.1577	0.183353	1	
Profit Margin	0.19214	0.025756	0.22285	0.759706	0.278285	1

Table 7: The Results of the Linear Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ASY	-810.7278	8823.350	-0.091884	0.9268
OWN	12319.74	3976.286	3.098304	0.0021
ROA	623.0130	185.2699	3.362731	0.0009
Liquidity	-1413.415	1209.009	-1.169069	0.2432
Profit Margin	-15.64130	108.8356	-0.143715	0.8858
ASY*OWN	-18801.26	12035.94	-1.562093	0.1192
C	7021.063	2611.576	2.688439	0.0075
R-squared	0.102851	Mean dependent var		12723.80
Adjusted R-squared	0.087158	S.D. dependent var		28716.78
S.E. of regression	27436.82	Akaike info criterion		23.29696
Sum squared resid	2.58E+11	Schwarz criterion		23.37412
Log likelihood	-4069.967	F-statistic		6.553714
Durbin-Watson stat	1.904952	Prob(F-statistic)		0.000001

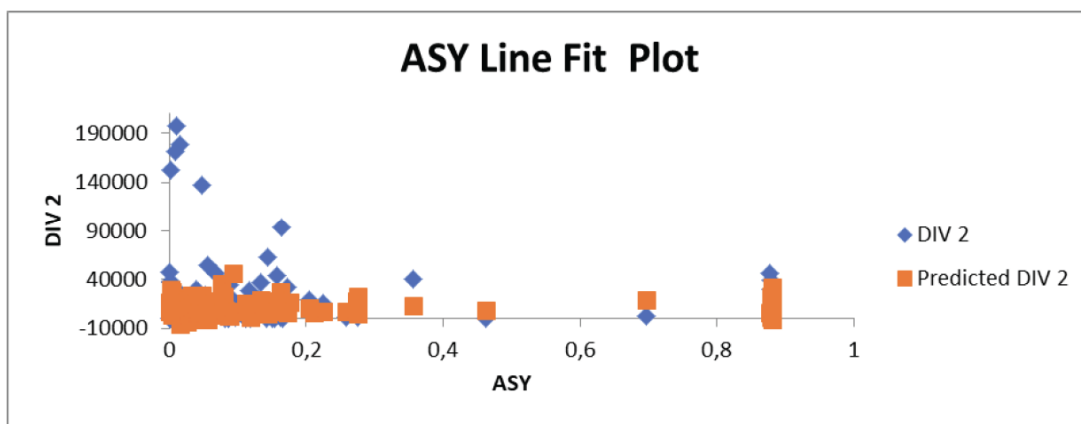


Figure 5: Dependence of information asymmetry and dividend payments. Source: Excel analysis tools.

You can also see that the information asymmetry increases if the enterprise is a state-owned enterprise (ASY*OWN has a lower value, and a negative coefficient is greater). Thus, the hypothesis 2 stated at the beginning of the Work is refuted. On the contrary, information asymmetry is higher in state-owned companies. The authors of (Choi JJ, Sami H., Zhou H., 2010) come to the same conclusion about the impact of state ownership on information asymmetry in China, where the share of state ownership is particularly high. According to the study, the lower the proportion, the lower the information gap. The authors hope *et al.* come to a similar conclusion (Hope, O., Thomas, W. B., Vyas, D., 2009). Based on our empirical base, it was also found that state-controlled enterprises pay dividends more often than private companies (26% vs. 14%). This conclusion is confirmed in other studies, for example, in the work of Wang *et al.* (Wang, X., Manry, D., Wandler, S., 2011), where it was found that dividend payments among companies paying dividends and the probability that the company will pay the dividend increase in state-owned companies. These results are consistent with the government's need for cash flow.

Thus, the hypothesis that there is an inverse relationship between information asymmetry and dividend payments was confirmed. And the second hypothesis that state-owned companies smooth out information asymmetry was refuted, on the contrary, it was revealed that state property strengthens it. This conclusion is found in the Chinese study of Choi *et al.* (Choi JJ, Sami H., Zhou H., 2010), which confirms that the spread between the purchase price and the share sale price (as the asymmetry was estimated) is greater in state-owned companies. This is because public investors prefer to use information asymmetry for their own benefit rather than to increase the transparency of

the economy. When the share of state ownership is high, political influence and inefficient management control can play a big role in increasing costs associated with Agency and information issues in the context of economic security. This implies that lower state ownership is associated with lower information asymmetry in the market.

IV. EMPIRICAL RESULTS

Different interpretations of the payment of dividend has been proposed in the literature (Allen, F., Michaely, R., 2003). The signal theory assumes that managers, compared to outside investors, know more insider information related to future corporate growth. Consequently, firms can pass this information to the capital market through dividend payments. However, agent theory demonstrates that when the legal system is weak, dividends cannot be used as a way to smooth out Agency conflict. This work examines the effect of information asymmetry on dividend payments. The results of this study show that in Russia, the higher the information asymmetry, the lower the dividend payment. Dividend policy cannot be indicative in terms of information transfer to the capital market.

It is difficult to overestimate the impact of external factors on the dividend and investment policy of the company. The macroeconomic environment has always influenced strategic decision-making in Russian companies, including making adjustments to dividend and investment policies.

From the chart of average dividend payments by year (Figure 6) it is possible to determine how much the financial and economic crisis of 2008 has affected, namely, it was expressed in the fact that in 2009 there was a sharp decrease in the average size of dividends, and most companies simply did not pay them.

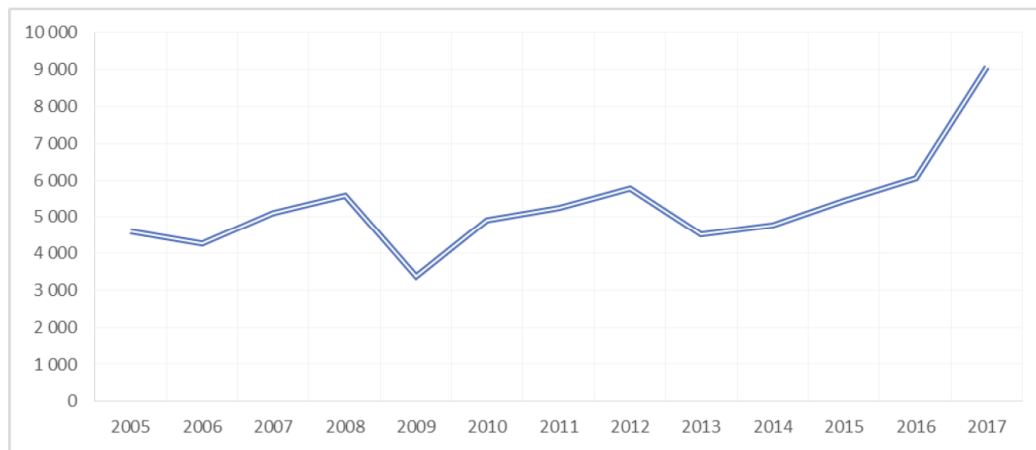


Figure 6: Dynamics of changes in the average dividend value from 2005 to 2017. Source: Bloomberg.

During the period under review, there was another crisis in Russia – the currency crisis (2014-2015), which in turn had virtually no impact on dividend payments. Despite the fact that a number of companies recorded losses in 2014 and 2015 (Figure 7) as a result of the negative balance of exchange rate differences, arisen in connection with the negative impact of changes in exchange rate of the ruble to the US dollar, many however, had paid dividends to its shareholders.

There are several reasons for such a management decision. First, the Russian market has been experiencing strong volatility recently, and even the most liquid shares may change sharply in price, both in the "plus" and "minus". In such a case, dividend payments partially compensate for investment risks associated with losses from the unpredictability of the share price behavior. Second, many public companies have deliberately given up active investment in recent years due to the growing uncertainty in the global economy. In conditions of doubtful prospects of the

Russian and world economy, it is better to pay maximum dividends. Third, in the world practice, dividend payments on average make up 40-60% of the company's net profit, while in the Russian market only certain large companies can adhere to such a level of payments. Until 2015, the company on average directed no more than a quarter of its profits on dividends, it would be logical if Russian companies began to approach the indicators of companies in developed countries.

Another important external factor, in addition to macroeconomic ones, is the current legislation. Since 2015 from the same chart above (Figure 4) there has been a steady increase in the average size of the dividend. This trend is explained by the order (Dmitry Medvedev, 2016) signed by Dmitry Medvedev, according to which state-owned companies in 2016 were obliged to send at least 50% of profits to pay dividends at the end of 2015. In 2016, the year twelve companies have been able to make exceptions and to



Figure 7: Percentage of public companies reporting negative net profit. Source: Bloomberg.

pay 50% and less. For example, such companies as Rosneftgaz (25%), Gazprom (24%), Rosneft (30%), Sberbank (25%).

According to the results of 2016, it was allowed to reduce dividends not for twelve, but only for nine companies. However, state-owned companies are still trying to avoid increased dividend payments, for example, Gazprom sent 20% of its profits to dividends at the end of 2016, with the exception of such companies as ALROSA, Rosneft, Aeroflot, Rostelecom.

The budget for 2018 includes 379.9 billion rubles of dividends based on the payment of state-owned companies at least 50% of net profit under IFRS. But not all state-owned companies agreed to this. Thus, the Board of Gazprom, referring to the need for spending on a large-scale investment program, proposed to keep the dividends at last year's level, giving shareholders only 25% of the consolidated profit. Because of this, the budget may receive less than 78 billion rubles., according to A. G. Siluanov (A. G. Siluanov, Electronic periodical of "Vedomosti", 2018). Below on the picture (Figure 8) the difference between the estimates of Rosimushchestvo and the Ministry of Finance on dividend payments is presented, namely, how much money the budget will receive less in the period from 2018 to 2020.

How truthful will be the evaluation time will tell, but in the opinion of the author and the results of a forecast conducted in this study, you can count on the optimistic scenario of development.

V. CONCLUSION

Thus, it can be noted that in General, for Russian public companies, the priority is not dividend policy, but investment policy. Russian companies prefer to guarantee a low interest rate, without taking on large obligations to shareholders. The dividend on the shares is low, but sufficient to demonstrate to investors that the company is growing steadily and is able to make payments, but still most of the profits prefer to invest in its development. This is the so-called "flexible" dividend policy.

Such behavior of companies shows that they are still wary of the fact that dividend payments can also successfully stimulate the growth of the value of the company's shares, as well as reinvested profits. Therefore, companies do not use all the advantages of a more active dividend policy.

It should also be borne in mind that when we talk about the Russian market as a whole, not all companies have clearly formed their dividend and investment policy in the context of economic security, some companies do not have the rule to specify in their charters, the share of profits that they will distribute for dividends. Moreover, we cannot ignore the so-called dominant owners in Russian public companies, in particular, such as the state, who has the final say in deciding on the amount of dividends in the context of the economic security of the state.

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