

INFLUENCE OF HEAVY INDUSTRY COMPANIES' LISTING ON UKRAINIAN STOCK MARKET ON DIVIDENDS PAID

Investments are one of the most important components of economic growth in every country. Increased investment allows for more research and development in the capital structure, which increases productivity of labor and after all leads to economic growth for the entire country or higher gross domestic product.

One of the most important factors of choosing whether invest or not in any company is its dividends paid to shareholders. Since it shows real result expressed in monetary units, investors pay highly attention to this indicator. Heavy industry is one of the largest and most important area in Ukraine, fraction of heavy industry in GDP is almost 40% in 2018. That's why it was decided to determine whether presence of potentially invested heavy industry firms on Ukrainian stock market impacts dividends paid.

The aim of the research is to provide investors with the information, whether the listing of heavy industry companies on Ukrainian stock market impacts the dividends paid. The null hypothesis was that the heavy industry firm's listing on the stock market has positive and statistically significant effect on dividends paid. To evaluate model Tobit model was used (graph 1 and 2). The database was built on the annual financial statements (2018) of Ukrainian heavy industry companies, which is 99 cases observed. Industrial companies from different Ukrainian cities and from different types of industry (metallurgy, electric power, mechanical engineering) were used.

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Observations:
      Total  Left-censored  Uncensored  Right-censored
        99             64             35             0

Coefficients:
      Estimate Std. error t value Pr(> |t|)
(Intercept)  -4.47130    1.14351  -3.910 9.22e-05 ***
Assets        0.11084    0.03086   3.592 0.000328 ***
Profit        1.20830    0.26875   4.496 6.92e-06 ***
NumberOfEmployees  0.42827    0.14215   3.013 0.002589 **
Revenues     -0.25031    0.07278  -3.439 0.000593 ***
Present      -1.46909    1.48690  -0.988 0.323141
logSigma      1.68192    0.12102  13.898 < 2e-16 ***
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Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Newton-Raphson maximisation, 7 iterations
Return code 1: gradient close to zero
Log-likelihood: -132.7725 on 7 Df

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Graph 1. Results of modeling influence of heavy industry companies' listing on Ukrainian stock market on dividends paid

According to graph 1, assets, profit and revenues are significant independent variables and have strong influence on the amount of dividends paid. Number of Employees is less significant variable than previous but also influences dependent variable (the amount of Dividends Paid), while Presence on Stock market is insignificant and doesn't influence the amount of Dividends Paid.

Number of employees is less significant variable than previous but also influences dependent variable.

Besides, assets, profit and number of employees have positive statistically significant impact on dividends paid, while revenue has negative statistically significant impact on dependent variable. Presence on stock market has negative statistically insignificant impact on dependent variable.

	Marg. Eff.	Std. Error	t value	Pr(> t)	
Assets	0.0250180	0.0073369	3.4099	0.0009666	***
Profit	0.2727253	0.0615979	4.4275	2.619e-05	***
NumberOfEmployees	0.0966656	0.0366023	2.6410	0.0097130	**
Revenues	-0.0564982	0.0163377	-3.4581	0.0008257	***
Present	-0.3315868	0.3424344	-0.9683	0.3354223	

 Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Graph 2. Estimation of marginal effects

Due to graph 2, there are next results:

1. If the amount of assets raises by 1 billion UAH, it results in increasing the amount of dividends paid by 0.025 billion UAH.
2. If the amount of profit raises by 1 billion UAH, it results in increasing the amount of dividends paid by 0.273 billion UAH.
3. If the quantity of employees raises by 1 thousand people, it results in increasing the amount of dividends paid by 0.097 billion UAH.
4. If the amount of revenues raises by 1 billion UAH, it results in decreasing the amount of dividends paid by 0.056 billion UAH.
5. Presence on stock market: this variable doesn't influence the amount of dividends paid.

The hypothesis of this research that listing on stock market affects dividend paid of exact company on Ukrainian market must be rejected. It means that Ukrainian investors don't need to rely on presence on stock market when making decision about buying shares of heavy industry companies in Ukraine (if investors' aim is to receive dividends). Apart from this the model showed another significant variables – Assets, Profit, Revenues and Number of Employees. Insignificance of listing of the companies on Ukrainian stock market could be because Ukrainian stock market is not well-developed and Ukrainian market also unstable and dividend policy is therefore unpredictable.

References:

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