

## Dividend policy of selected public companies from the manufacturing sector in Bulgaria

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### Abstract

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**Purpose:** The study aims to analyze the dividend policy of selected public companies from the manufacturing industry in Bulgaria in order to identify the main features and trends of this policy.

**Design/Methodology/Approach:** To achieve the goal of the study, the following were used: descriptive analysis, synthesis and comparative analysis. Data for selected companies traded on the Bulgarian Stock Exchange for the period 2014-2023 were used.

**Findings:** The majority of the companies from the manufacturing industry in Bulgaria which are classified in the sector of industrial goods and materials have never paid cash dividends during the analyzed ten-year period. Of these public companies, 40% of companies that paid cash dividends during the period under review (including those that did so only once) did so in every year of the period. Only half of the companies analyzed paid cash dividends regularly throughout the entire period analyzed while maintaining a consistent dividend policy. The majority of the companies surveyed maintained or even increased the size of dividends for the pandemic years 2020 and 2021.

**Practical Implications:** The results of the study on the practice and specific features of the dividend policy of companies from the Bulgarian manufacturing industry can be of use to analysts and investors.

**Originality/Value:** The study of the dividend policy of companies from a particular sector of the economy adds new analyses to the existing literature in the field of dividend policy.

**Paper Type:** Research Paper

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## INTRODUCTION

Dividend policy is a common area of discussion and research in corporate finance. Making a decision about dividend payment is among the key financial decisions and responsibilities of financial managers.

Dividend policy manifests itself in company decisions related to the portion of net profit that should be paid to shareholders in the form of dividends, as well as to the portion that should be reinvested for the company development and growth.

Manufacturing industry is a key sector of the Bulgarian economy. The companies in this sector are faced with specific challenges, such as changes in raw material prices (including energy prices), etc. The COVID-19 pandemic and the energy crisis in Europe that has developed in recent years have had a significant impact on the economic environment. These events have increased the interest in analyzing the dividend policy of companies in the manufacturing industry in Bulgaria.

The aim of this study is to analyze the dividend policy of selected public companies from the Bulgarian manufacturing industry in order to identify the key features and trends in their policies. The study covers the period 2014-2023.

The present study considers 8 companies from the manufacturing industry which are classified in the sector of industrial goods and materials, and which are public companies as of 30th September 2024. The companies are from the manufacturing industry in Bulgaria according to the Classification of Economic Activities (CEA-2008), and their classification in the sector of industrial goods and materials is according to the adopted classification of the specialised financial and economic medium infostock.bg. The other criterion for the selection of the analyzed companies is that they have paid cash dividends for more than one year within the period under review (after gaining the status of a public company).

The present study analyzes the cash dividends paid as a key manifestation of dividend policy. Cash dividends are the most common and traditional way of dividend payment used by companies.

## METHODS

In order to identify the major features and trends in the dividend policy of selected public companies from the manufacturing industry in Bulgaria, descriptive analysis, synthesis and comparative analysis were used.

The study of selected public companies traded on the Bulgarian Stock Exchange (BSE) is based on data for the period 2014-2023. The data were collected by the Bulgarian Stock Exchange, the Commercial Register and the information medium X3News.

Analysis is made of the history of cash dividends paid, as well as of the indicators of dividend payout ratio, earnings per share (EPS) and dividend yield. Dividend payout ratio is determined by dividing the annual dividend per share by EPS. EPS is calculated by dividing the total dividends paid by the number of shares. Dividend yield is the ratio between the annual dividend per share and the price per share.

## LITERATURE REVIEW

Bahrudin et al. (2021, p. 331) emphasize the fact that dividend policy is a significant factor attracting investors. In addition, they posit it that dividend is a payment that is a „token reward to the shareholders for their interest in the company's shares, which usually originates from the company's net income”. Tanushev (2016, p. 312) notes that the expected future incomes are the basis of investor confidence.

Dividends are a form of income that common stocks bring, the other being capital gains.

Nenkov and Hristozov (2020) point out that apart from cash dividends, there are other main ways of paying dividends, such as paying dividends through an additional issue or through a share split, the latter two methods being more like quasi dividends, while cash dividends are the real dividends.

Kimunduu et. al. (2017, p. 139) sum up dividend policy in the following perspectives: „the amount to pay, the frequency of dividend payments and the mode of paying dividends which is either in cash or non-cash form.“

Companies can implement various types of dividend policy. The main policies include stable dividend policy, fixed payout ratio policy based on profit, residual dividend policy, zero dividend policy, etc. (Rafailov 2011).

The stable dividend policy means that a company pays a fixed dividend per share annually for a long period of time. The company may decide to change the dividend amount only after thorough consideration.

Under a fixed-earnings-based payout ratio policy, a company aims to pay out a certain percentage of its profits as dividends each year. Dividends follow profit changes and fluctuate in time.

With residual dividend policy, the priority is to reinvest profits. A company first invests its investment projects with dividends paid from the remaining funds. In some years, a company may not pay dividends at

all.

Under the zero dividend policy, companies choose not to pay dividends.

Dividend policy is the subject of numerous theoretical and empirical studies. A lot of research considers the factors determining dividend policy in different countries, the most recent of which are for instance Jaara et al. (2018), Rój (2019), Louziri and Oubal (2022), etc. Jaara et al. (2018) note that the findings on dividend policy in the existing literature are contradictory. In this regard, Rój (2019), as well as Louziri and Oubal (2022) point out that there is no unified opinion on the determinants of corporate dividend policy.

In Bulgarian context and in the field of corporate dividend policy, one can mention the studies of Rafailov (2011), Rafailov and Trifonova (2011), Dimitrova (2012), Tanushev (2021), etc.

In a monograph, Rafailov (2011) makes exhaustive analysis of the corporate dividend policy implemented by Bulgarian companies. The empirical study includes data about the public companies from the real sector of the economy for the period 2003-2009. The strategic factors influencing the dividend payments of the companies in Bulgaria have been identified based on theoretical and empirical analysis.

In a study published by Rafailov and Trifonova (2011), the focus is on the identification of the major determinants of the dividend policy of the public companies in Bulgaria. The empirical study covers the period 2003-2009.

Among the important observations that Rafailov (2011), as well as Rafailov and Trifonova (2011) emphasize is the fact that the majority of companies that paid dividends in a given year had done so in previous years. At the same time, the companies that do not pay dividends consistently adhere to this policy. The scholars (Rafailov 2011, p. 9; Rafailov and Trifonova 2011, p. 275) note that in Bulgaria “dividend policy is perceived in a narrower sense and is mainly implemented in the form of dividend payments”.

Dimitrova (2012) examines the relationship between the decision to distribute dividends and shareholder equity of companies traded on BSE. This empirical study is based on data for the period 2005-2010. The researcher finds out that “the strongest relationship is the one between dividends and company profits” (Dimitrova 2012, p. 184).

In a monograph, Tanushev (2021) makes a thorough analysis of dividend policy from a theoretical and empirical aspect. The scholar concludes that a great number of the public companies in Bulgaria listed on BSE do not pay dividends. Part of the analysis on dividend policy is focused on whether or not to pay dividends, as well as on the identification of the factors that determine this process for the public companies traded on BSE. The empirical analysis is based on data for the period 2003-2014.

Recent research considers the impact of the COVID-19 pandemic on dividend payment in a number of countries and provides divergent findings (for instance, Krieger et al. 2021; Cenjek et al. 2021; Mazur 2020; Tinungki et al. 2022; Ali 2022; Ali et al. 2022; Boumlik et al. 2023). Krieger et al. (2021) find out that the number of companies that decrease or skip dividend payments rises considerably during the pandemic. Similar findings are provided by the research of Cenjek et al. (2021) who establish the fact that dividends fall significantly due to the pandemic. Ali et al. (2022) find out that companies are more likely to skip or reduce dividend payments during the COVID-19 crisis compared to the pre-pandemic period. The results from a study conducted by Boumlik et al. (2023) also show that the COVID-19 crisis has affected dividend payment negatively. Conversely, some scholars, such as Mazur (2020), Tinungki et al. (2022) and Ali (2022) conclude that the majority of the companies they investigated either maintain or increase the size of the dividends paid during the pandemic.

## RESULTS

### **Analysis of the dividend policy of selected public companies listed on the Bulgarian Stock Exchange**

Decision-making with regard to the distribution and payment of dividends by public companies in Bulgaria is in the competence of the general meeting of shareholders, subject to the requirements set out in the Commercial Act (CA) and the Public Offering of Securities Act. In accordance with CA, the general meeting approves of the annual financial statement, makes a decision about the distribution of profits and the payment of dividends.

In accordance with CA, a joint-stock company (JSC) may distribute profits only when the net value of its assets (all assets - all liabilities), reduced by the profit to be paid out, is not less than the amount of the capital of the JSC, the Reserve Fund and other funds that the JSC is obliged to establish by law or bylaws.

With changes to the Public Offering of Securities Act, effective from the beginning of 2018, public companies can pay 6-monthly and annual dividends.

Companies distribute cash dividends from their net profits after corporate tax. According to the Bulgarian tax law, dividend tax is then withheld. Dividend income is taxed at source.

The Income Taxes on Natural Persons Act and the Corporate Income Tax Act regulate the taxation of dividends. According to the Bulgarian tax law, the tax rate is 5%. Income received from the sale of shares

traded on the Bulgarian Stock Exchange is tax-free. The fact that capital gains received by investors are not subject to taxation is an advantage over receiving income from dividends, even though the tax rate on this income is relatively low.

The study of selected companies in Bulgaria having the status of public companies at the time of this analysis and during the period considered, shows that:

- 59% of the public companies from the manufacturing industry have never paid cash dividends within the 10-year period analyzed;
- 58% of the public companies from the manufacturing industry, classified in the sector of industrial goods and materials have never paid cash dividends within the 10-year period analyzed;
- from the manufacturing industry, the sector of industrial goods and materials, 40% of the public companies that paid dividends within the period under review (including those who paid dividend just once) have paid a cash dividend each year of this period.

The review of the information given by the analyzed companies shows that, in general, there lacks clarity and specifics with regard to the type of the dividend policy they pursue. Overall, the published statutes, financial statements and/or activity reports generally state that dividends are distributed or paid based on a decision made by the shareholders' general meeting. In its activity reports, Hydraulic Elements and Systems (e.g. 2024, p. 27) states that it "pursues a policy of annual dividend distribution". In the part about dividend policy of its activity reports, M+S Hydraulic (e.g. 2024, pp. 16-17) points out that it continues "the tradition of distributing part of its financial result in the form of a cash dividend". In the dividend policy published by Fazerles, there is information about the dividends determined by the shareholders' general meeting annually and about the limitation period for their payment, taxation and method of payment. Similarly to the two companies previously discussed, no details are given about the way cash dividends are determined. In the reports of the board of directors and with regard to the payment of a 6-month dividend, Korado-Bulgaria (e.g. 2022, p. 1) states that the company "has established and consistently pursues a sustainable dividend policy in the recent years".

The data show that half of the companies analyzed paid dividends in each year of the period considered (Table 1). The majority of the analyzed companies have maintained and even increased their dividends for the first two years of the COVID-19 pandemic – 2020 and 2021.

The comparative analysis of the companies shows that Hydraulic Elements and Systems, Korado-Bulgaria, M+S Hydraulic and EMKA demonstrate a relatively consistent dividend policy characterized by predictable and controlled payout ratios. The companies Hydraulic Elements and Systems, Korado-Bulgaria and M+S Hydraulic demonstrate high payout ratios (Table 2).

What is typical for Fazerles and Kauchuk is a very high volatility of the payout ratio due to the use of retained earnings from previous years and/or reserves for dividend payments in some years. For the same reason, these companies have recorded unusually high values of the ratio. Alkomet и Neochim demonstrate lower values of the payout ratios.

The ranges of payout ratios for the different companies that have been analyzed vary from narrow to wide ones.

In a study, Vochozka et al. (2021) infer that in specialised literature the most frequently confirmed theories of dividend payout ratio accept the view that net profit is among the key factors resulting in adjustments in the dividends paid by a company.

**Table 1.** Dividend per share and earnings per share (EPS), BGN

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Alkomet</b>										
Dividend	0.0447	0.1018	0.4499	0.2578	0.1512				0.7851	
EPS	0.13	0.51	1.50	0.86	0.76	0.48	-0.20	-0.01	3.14	-0.32
<b>EMKA</b>										
Dividend	0.0421	0.0421	0.0526	0.0737	0.0842	0.0842	0.0842	0.1579	0.1579	0.0842
EPS	0.13	0.14	0.09	0.16	0.16	0.17	0.17	0.31	0.53	0.20
<b>Kauchuk</b>										
Dividend				5.30	8.50	7.14	2.12	1.00	0.90	0.90
EPS	0.35	0.36	0.48	1.18	4.25	6.42	6.25	3.74	0.98	23.89
<b>Korado-Bulgaria</b>										
Dividend	0.12	0.18	0.26	0.26	0.29	0.29	0.29	0.29	0.20	0.19
EPS	0.21	0.22	0.33	0.45	0.40	0.32	0.35	0.36	0.33	0.27
<b>M+S Hydraulic</b>										
Dividend	0.22	0.22	0.26	0.30	0.30	0.26	0.30	0.35	0.40	0.40
EPS	0.29	0.25	0.32	0.37	0.37	0.32	0.39	0.48	0.84	0.84
<b>Neochim</b>										
Dividend		0.80	1.30	0.20			0.40	5.00	5.00	
EPS	-9.43	1.75	10.84	5.24	-7.41	-4.81	5.86	18.45	27.14	-13.65
<b>Fazerles</b>										
Dividend	2.00	1.00	0.50		0.50		1.00	1.00	1.00	
EPS	2.86	0.54	0.62	-0.51	0.15	-0.29	0.06	1.00	1.85	-1.95
<b>Hydraulic Elements and Systems</b>										
Dividend	0.16	0.20	0.18	0.22	0.26	0.21	0.26	0.31	0.33	0.21
EPS	0.21	0.22	0.20	0.25	0.29	0.24	0.33	0.42	0.53	0.23

Source: Bulgarian Stock Exchange, Commercial Register, [www.x3news.com](http://www.x3news.com), own calculations

**Table 2.** Dividend payout ratio

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Alkomet	0.33	0.20	0.30	0.30	0.20				0.25	
EMKA	0.31	0.31	0.60	0.47	0.52	0.50	0.51	0.52	0.30	0.42
Kauchuk				4.49	2.00	1.11	0.34	0.27	0.92	0.04
Korado-Bulgaria	0.57	0.82	0.78	0.58	0.73	0.90	0.83	0.80	0.60	0.70
M+S Hydraulic	0.76	0.88	0.81	0.80	0.82	0.80	0.78	0.73	0.48	0.48
Neochim		0.46	0.12	0.04			0.07	0.27	0.18	
Fazerles	0.70	1.86	0.81		3.43		16.10	1.00	0.54	
Hydraulic Elements and Systems	0.76	0.91	0.90	0.88	0.90	0.88	0.79	0.74	0.63	0.92

Source: Own calculations based on data from Bulgarian Stock Exchange, Commercial Register and [www.x3news.com](http://www.x3news.com)

The average dividend yield for all companies for the period is 4.46% (Table 3). The companies with average dividend yield for the period above the average for all companies are Kauchuk, M+S Hydraulic and Hydraulic Elements and Systems. The rest of the analyzed companies have an average dividend yield for the period below the average for all companies.

The analysis shows different approaches to the dividend policy of the examined companies.

**Table 3.** Dividend yield (%)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Average
Alkomet	0.71	1.20	2.48	1.94	1.44				8.77		2.76
EMKA	2.19	2.41	2.08	2.56	3.34	4.21	2.63	4.01	3.66	4.01	3.11
Kauchuk				19.6	18.4	14.2					
				3	8	8	4.24	2.53	2.60	1.84	9.08
Korado-Bulgaria	4.00	3.60	2.92	3.42	4.00	4.39	5.27	3.41	2.90	3.76	3.77
M+S Hydraulic	4.11	4.32	3.27	3.76	3.85	4.44	3.90	3.85	4.00	3.57	3.91
Neochim		1.51	2.13	0.45			1.67	8.85	13.9	3	4.75
Fazerles	4.00	2.77	1.43		2.48		4.76	4.76	5.43		3.66
Hydraulic Elements and Systems	4.65	5.97	3.33	4.23	5.20	5.53	4.64	4.43	4.82	3.65	4.64
Average											4.46

Source: Own calculations based on Bulgarian Stock Exchange data

#### *Alkomet JSC*

Alkomet JSC is a manufacturer of aluminum products. The company is a member of the broad index BGBX40 as of 30th September 2024. The index includes the forty most liquid companies on the Bulgarian Stock Exchange.

During the 10-year period under review, Alkomet does not pay dividends every year. For each of the years in the period 2014-2018, the company pays out dividends. The gross dividend amount increased from BGN 0.0447 in 2014 to BGN 0.4499 in 2016 following the EPS trend (Table 1). EPS also recorded a significant increase, reaching BGN 1.50 in 2016 from BGN 0.13 in 2014. In 2019, EPS decreased significantly, but remained positive. Despite the positive financial result for 2019, in 2020 the company decided not to pay dividends for 2019. This demonstrates caution in resource management and, possibly, a reaction to the economic uncertainty related to the COVID-19 pandemic. In 2020 and 2021, the company reported losses and no dividends were paid for these years.

Having achieved a record net financial result in 2022 (related to the increase in the price of aluminum), Alkomet again pays a dividend - 0.7851 BGN per share for the corresponding year. This is the highest dividend paid by the company consistent with the record EPS of 3.14 BGN in 2022.

In the face of military conflicts, inflation, weaker economic growth, Alkomet realizes a negative financial result in 2023 and does not pay dividends for this year.

The dividend payout ratio is relatively stable in 2014, 2016 and 2017 – it varies between 0.30 and 0.33 (Table 2). In 2015 and 2018, it falls to 0.20. The distribution of 20% of the profit as dividends and the retention of the remaining 80% as retained earnings in these years means that the company applies a more conservative approach to its dividend policy and makes an effort to enhance its financial stability. After resuming dividend payment, dividend payout ratio amounts to 0.25 in 2022. This value is higher compared to 2015 and 2018, but it is lower than the historical 0.30-0.33.

In the period 2014-2018, dividend yield gradually increases from 0.71% in 2014 to 2.48% in 2016 (Table 3). Then, it falls dramatically reaching 1.44% in 2018. In 2022, there is a considerable growth of dividend yield to 8.77%. This sharp rise is due to the high dividend of 0.7851 at a relatively low share price. The record net profit achieved in 2022 allows the company to reward its shareholders significantly after the difficulties in the previous years. The significant growth in dividend yield in 2022 increases the average dividend yield for the period under review to 2.76%.

The analysis of Alkomet's dividend policy reveals a trend of regular payment of dividends only for the first half of the period under review with the dividend being of variable size. It can be said that the company is flexible in its dividend policy and, overall, it adapts dividend payments to its current financial situation.

#### *EMKA JSC*

EMKA JSC produces cables and conductors. The company is part of the BGBX40 index as of 30th September 2024.

EMKA consistently pays cash dividends every year of the analyzed period (Table 1). In the period 2014-2017, the dividend per share increased slowly (from BGN 0.0421 to BGN 0.0737). In the first two years of the period, the company paid a constant dividend of BGN 0.0421 per share, and EPS changed slightly. At the same time, the payout ratio for these two years is the same – 0.31. In the period 2018-2020, the company paid a stable dividend per share of BGN 0.0842. During this period, EPS shows a slight change

from BGN 0.16 to BGN 0.17. This indicates a trend towards predictability and ensuring stable income for shareholders when profit is relatively stable. For the same period, the payout ratio remains similar between 0.50 and 0.52, which is associated with the small change in EPS. Maintaining a similar payout ratio emphasizes the company's commitment to providing stable payouts. During the pandemic 2021, EPS increased significantly, and the dividend per share was raised to BGN 0.1579. For 2022, the dividend remains at the 2021 level, despite a significant increase in EPS to a peak of BGN 0.53. The dividend for 2023 decreases, again being BGN 0.0842 which shows the company's reaction to the decrease in EPS to BGN 0.20.

The review of the data makes it possible to conclude that the COVID-19 pandemic did not affect the company dividend policy negatively.

EMKA shows periodic changes in the dividend payout ratio which can be interpreted as an adjustment to earnings. The payout ratio reached its peak of 0.60 in 2016 (Table 2). In the period 2018-2021, the ratio remained in a narrow range (0.50 and 0.52). In 2022 and 2023, the company pays out a smaller part of its profit as dividends compared to previous years. Taking into account the higher profit in 2022, the ratio drops to 0.30. In 2023, the payout ratio rises to 0.42, but is below the levels of 2018–2021.

The average dividend yield of the company for the period under review is 3.11% (Table 3). The highest dividend yield was recorded in 2019 (4.21%) and the lowest in 2016 (2.08%). Overall, dividend yields increased during the period 2014–2019. In 2020, the yield fell (2.63%), but then recovered and stabilized around 4.0% in the period 2021–2023.

EMKA pursues a policy of regular dividend payout because during the whole period under review it does not stop distributing dividends. In the short term, the dividend remains fixed for certain periods, while in the long term, for the period 2014–2022, there is a general trend towards growth. During a part of the analyzed period, the dividend payout ratio remains relatively stable. EMKA's dividend policy can be defined as consistent, with periods of stability and adaptation to its financial results.

#### *Kauchuk JSC*

Kauchuk JSC manufactures rubber products.

The period 2014-2016 is characterized by a lack of cash dividends (Table 1). For each of these years, the company makes a decision to transfer the profit to the Reserve Fund. For the period 2017 – 2023, Kauchuk pays dividends regularly, but there are significant fluctuations in the amount of the dividend paid. For the period 2017-2019, the amount is more considerable with the dividend per share as follows: BGN 5.30 for 2017, BGN 8.50 for 2018 and BGN 7.14 for 2019. What is typical for this period is that the company uses both net profit for the respective year and retained earnings and reserves to pay dividends.

It is noteworthy that regardless of the instability related to the pandemic, in 2020 the company decided to pay dividend for 2019. The COVID-19 pandemic had a negative impact on the company's activity. The company realised a positive financial result in 2020, even though it was lower compared to the previous year.

The dividend per share starts decreasing in 2019 and in 2022 it reaches BGN 0.90. In 2023, it is BGN 0.90 as well. Under the influence of a complex of factors, including the negative effects of the pandemic and the military conflict between Russia and Ukraine that broke out in 2022 (affecting the prices of energy resources), in 2021 and 2022 the company's net profit decreased, but it continued to pay dividends.

EPS shows instability with periods of a fall and rise (Table 1). In the period 2017-2019, EPS is in an upward trend. The observed growth indicates a steady improvement in the company financial results. In the period 2020-2022, EPS declines. In 2022, it drops to BGN 0.98 indicating a considerable fall in profit. In 2023, it rockets to BGN 23.89 showing a significant improvement in financial results. Despite this high value, the dividend remains at the level of BGN 0.90.

Data show significant fluctuations in both dividends paid and payout ratios over the years. The high values of the payout ratio above 1 in the period 2017-2019 (Table2) reflect the fact that the amount of the dividends paid is provided not only from the profit for the respective year, but also from the reserves, and for part of the period from retained earnings. In the period 2017-2021, a downward trend is observed with regard to the payout ratio. After 2020, the payout ratio plunges and reaches values below 1. It remains below 1 until the end of the analyzed period. In the period 2020-2023, most often the company pays a relatively small portion of its net profit as a dividend. In 2021, the ratio declines to 0.27. In 2022, the company pays a very large portion of its net profit for 2021 (0.92) as a dividend. In 2023, the payout ratio reaches a minimum value of 0.04 (4%), which shows a minimum payout as a dividend regardless of the high EPS.

Dividend yield is higher in the period 2017-2019, reaching peak values of 19.63% in 2017 and 18.48% in 2018, which is attractive to shareholders (Table 3). The company maintains this high yield through significant dividends. In the period 2020-2023, dividend yield declines considerably and reaches 1.84% in 2023. The average dividend yield recorded for the period under review is high – 9.08%.

Kauchuk shows flexibility in its dividend policy, which allows it to adapt depending on the financial

environment, its strategic priorities and the market. The company policy demonstrates commitment to the regular payment of dividends for seven years in a row, despite the significant fluctuations in both the amount of payouts and the payout ratio.

#### *Korado-Bulgaria JSC*

Korado-Bulgaria JSC is a manufacturer of steel radiators. The company is a member of the BGBX40 index as of 30th September 2024.

The company pays dividends annually with no interruption within the 10-year period analyzed. The dividend per share is relatively stable during most of the period.

In the period 2014–2016, an increase in the dividend is observed – from BGN 0.12 in 2014 to BGN 0.26 in 2016. This increase can be explained with the rising EPS during the period (Table 1).

In the period 2016–2017, the dividend per share remains stable at a level of BGN 0.26 and from 2018 to 2021 it remains unchanged at a level of BGN 0.29. This change between 2017 and 2018 is small and it can be said that for the period 2016–2021 the general trend is towards stability in dividend policy. Despite the fluctuations in EPS, dividend remains relatively stable during this period. Thus, the company demonstrates a clear desire towards predictability and stability, which is a key factor in maintaining shareholders' confidence.

The company maintained the dividend at BGN 0.29 in 2019 and in the pandemic 2020 and 2021, which indicates that the COVID-19 pandemic did not influence the decision to pay during this period. The decrease in the dividend per share in 2022 and 2023 (to BGN 0.20 and BGN 0.19 respectively) can be interpreted as adaptation to the decreasing EPS.

Korado-Bulgaria took advantage of the legal changes that allowed for the payment of dividends twice a year. Since 2018, the company has been paying a 6-month dividend. This tradition was interrupted when a one-time dividend was paid for 2023 due to the company's deteriorating financial results.

The dividend payout ratio is relatively high in most years, which indicates that the company distributes a considerable portion of its profit to the shareholders. The highest value of the dividend payout ratio is registered in 2019 – 0.90, while the lowest one is in 2014 – 0.57 (Table 2). Due to profit fluctuations, the dividend payout ratio varies over the years since the company adjusts it to maintain dividend stability during a part of the period. In 2022 and 2023, the payout ratio falls to 0.60 and 0.70, which shows some adjustment to the policy of dividend payout.

Dividend yield peaks to 5.27% in 2020 (Table 3). The years with the lowest dividend yield are 2016 (2.92%) and 2022 (2.90%). The average dividend yield for the period 2014-2023 is 3.77%.

The company dividend policy for the period 2014–2023 is characterized by consistency. Korado-Bulgaria pays cash dividends every year of the analyzed period. At the same time, for the period 2016–2021 the company demonstrated a sustainable dividend policy by maintaining relatively stable dividends. The company policy also reflects some adaptability to the changing financial results.

#### *M+S Hydraulic JSC*

M+S Hydraulic JSC is a manufacturer of hydraulic and steering systems. The company is part of the BGBX40 and BGTR30 stock exchange indices as of 30th September 2024.

The company pays cash dividends every year and without interruption for the period 2014-2023. For 2014 and 2015, the dividend per share remains the same - BGN 0.22, although the EPS changes (Table 1). In the period 2016-2020, dividend varies slightly – for 2016 and 2019 it is BGN 0.26 and for the other three years of the period it is BGN 0.30. During this period, it changes simultaneously with EPS. The dividend paid rises slowly to BGN 0.35 for 2021 and BGN 0.40 for 2022 and remains BGN 0.40 for 2023. This emphasizes both the smooth increase in dividends in the long term and the pursuit of stability in payouts. EPS increases significantly in 2022 reaching BGN 0.84 compared to BGN 0.48 in 2021, which is a nearly double increase. However, dividend grows a lot more smoothly.

The dividend payout ratio varies over the years between 0.88 in 2015 and 0.48 in 2022 and 2023 (Table 2). In the period 2016–2019, when dividend varies within a relatively stable range, the payout ratio remains high and relatively stable, fluctuating between 0.80 and 0.82. This movement within a narrow range is probably due to the slight changes in the net profits during this period. The high values of the payout ratio mean that a considerable part of the profit is distributed as dividends. In 2021, the payout ratio drops more significantly to 0.73. In 2022, it falls sharply to 0.48 remaining at this level in 2023 as well. This decrease is related to the significant growth in profits, while dividend rises more smoothly.

Data analysis shows that the company keeps pursuing its dividend policy successfully even in the pandemic COVID-19 situation.

Dividend yield varies within a range from 3.27% to 4.44% (Table 3). It peaks in 2019 while its lowest value is in 2016. The average dividend yield for the period 2014-2023 is 3.91%.

M+S Hydraulic's dividend policy is consistent and sustainable. The company regularly pays



dividends every year during the period 2014–2023, thus demonstrating predictability and commitment to shareholders. In the short term (year-on-year), dividend is relatively stable and in the long term a trend for smooth increase is observed. During part of the period under review, the payout ratio remains relatively stable.

At times, the company shows flexibility by adapting payments to the dynamics of the financial results. This policy ensures return for shareholders and at the same time maintains the balance with the long-term sustainability of the business.

#### *Neochim JSC*

Neochim JSC is a manufacturer of nitrogen compounds and fertilizers. The company is included in the BGBX40 index as of 30th September 2024.

The company does not pay cash dividends regularly during the period under review (Table 1). It paid dividends during the first six years of the analyzed period when it had a positive financial result. The dividend paid per share varies significantly during the period 2014-2023 (from BGN 0.20 to BGN 5.00 per share).

During the pandemic 2020, Neochim had a positive financial result as the drop in sales revenue was compensated by the reduced costs due to the fall in the prices of natural gas (main production raw material of the company). In 2021, dividend goes up significantly. A dividend of BGN 5.00 per share was paid in 2021 and 2022, which indicates that the company uses its higher profits to reward shareholders. The company reports a loss for 2023 and no dividend is paid.

EPS varies significantly during the period under review (Table 1). There are years of high positive values (for instance, 2022) and years of significant negative values (2014 and 2023). The fluctuations show instability in the company's operating results, which directly affects its ability to pay dividends. The amount of the dividend per share does not indicate a stable relationship with EPS.

The dividend payout ratio is very volatile as well (Table 2). In 2015, it is 0.46, while in 2016 it drops to 0.12 and in 2017 it is much lower – 0.04. In 2020, the dividend payout ratio is low as well (0.07 or 7%). The low values indicate a very conservative approach to profit distribution for dividends. In 2021 and 2022, the dividend payout ratio is 0.27 and 0.18 respectively. Compared to previous years, these values show greater profit distribution as the company takes advantage of its significantly better financial results.

Dividend yield shows significant fluctuations as well (Table 3). In some years it is very low (e.g. 0.45% in 2016), whereas in others, such as 2022 it is 13.93%. This does not provide a stable return for investors who rely on dividend yield as a source of income. The average dividend yield for the period is 4.75%.

The analysis shows that during the period under review the company is not consistent in its dividend policy. Neochim's dividend policy demonstrates some flexibility through the variable amounts of dividend in the years with a positive financial result, which generally reflects in adaptation to the current financial situation.

#### *Fazerles JSC*

Fazerles JSC is a manufacturer of wood fiber boards.

With the exception of three years (2017, 2019 and 2023), when the company made a loss, during the remaining seven years of the analyzed period it paid cash dividends. The amount of dividend payout varies (Table 1). In the period 2014-2023, the highest dividend paid is in 2014 (BGN 2.00) and the lowest ones are recorded in 2016 and 2018 (BGN 0.50). In 2015 and in the period 2020-2022, the company pays the same amount of dividend per share despite the EPS fluctuations in these years. In the period 2020-2022, the company demonstrates predictability to shareholders and stability by managing to maintain a stable dividend amount – BGN 1.00.

In 2020, company activity is negatively affected by the COVID-19 pandemic (decline in the demand for its products and in the volume of orders). A positive financial results was achieved in that year, but it is a lot lower. Nevertheless, in the pandemic 2021, a decision was made for the distribution of a gross dividend amounting to BGN 1.00, which is also at the expense of a part of the retained earnings.

EPS varies considerably during the period under review (Table 1). Its highest value is observed in 2014 when the highest dividend amount was paid. In 2017, 2019 and 2023, EPS is negative.

In terms of dividend payout ratio, a lack of consistency is observed (Table 2). In 2015, 2018 and 2020, its value exceeds 1 because during these years the company pays out more in dividends than it currently earns relying on retained earnings as well. The value of the ratio was 1.86 in 2015 and 3.43 in 2018. In 2020, it rose sharply to 16.10, which is an extremely unusual value. Over the next two years, the payout ratio normalised decreasing to 1 and 0.54, respectively.

Dividend yield also shows significant fluctuations varying from 1.43% in 2016 to 5.43% in 2022. (Table 3). The average dividend yield is 3.66%.

With regard to the dividend policy of Fazerles, it can be said that it shows a tendency to adapt to

financial results and available resources, showing flexibility in challenging years. It does not demonstrate strict consistency, but for part of the period considered (2020-2022) the company manages to maintain stability in dividends.

#### *Hydraulic Elements and Systems*

Hydraulic Elements and Systems is a manufacturer of hydraulic cylinders. The company is part of the BGBX40 index as of 30th September 2024.

The company pays cash dividends every year of the analyzed period (Table 1). In the period 2014–2022 and in the long term, the dividend per share gradually rises from BGN 0.16 in 2014 to BGN 0.33 in 2022, despite the temporary falls in some years (2016 and 2019). However, this trend is interrupted in 2023 when the dividend drops significantly to BGN 0.21 as a reaction to the significant fall in EPS in that year. The dividend per share follows the EPS trends. When EPS is growing, dividend is growing as well, with the EPS peaking in 2022 (Table 1). In the years of decrease in EPS (2016, 2019 and 2023), dividend decreases. The long-term relationship between EPS and dividend remains strong. Overall, for the period 2014–2023 the fluctuations in dividends are more moderate than those in EPS.

During the period under review, the payout ratio varies within 0.60-0.92 (Table 2). During the five-year period 2015-2019, the payout ratio is in a narrow range between 0.88 and 0.91, which indicates stability and consistency in payouts. This means that the company aims to maintain a relatively constant share of the profit that it distributes as dividends. At the same time, during this period, the absolute amount of the dividend per share indicates moderate changes, fluctuating in the range of 0.18 to 0.26 BGN. In 2020 and 2021, the payout ratio gradually decreases to 0.79 and 0.74, which shows some flexibility with regard to the financial situation. The fall to 0.63 in 2022 is a more considerable deviation from the previous years, being the lowest value for the entire period. In the same year, the company reported the highest net profit and highest absolute dividend size for the period 2014-2023. In 2023, the payout ratio reaches its highest value of 0.92, comparable to previous peak levels for the period. This rise in the payout ratio reflects consideration of the significantly lower net profit compared to the previous few years and shows flexibility in the company dividend policy.

Despite the challenges of the COVID-19 pandemic, the company continues to pursue its dividend policy successfully.

In the beginning of the period (2014–2016) dividend yield shows considerable volatility, with a sharp increase to 5.97% in 2015 and a fall to 3.33% in 2016 (Table 3). In the next years (2017–2022), dividend yield varies within a more moderate range between 4.23% and 5.53%. After the pandemic breaks out, in the period 2020–2022, dividend yield is relatively stable (between 4.43% and 4.82%), but it remains low compared to some of the previous years. In 2023, there is another drop to 3.65%, which is the second lowest value for the period under review. This reflects adaptation of dividend policy to the current economic situation. For the whole period, the average dividend yield is 4.64%.

Hydraulic Elements and Systems pursues a policy of annual distribution of dividends. The company dividend policy for the period 2014–2023 is characterized by sustainability and consistency, which shows an ability for moderate flexibility in different financial situations. For the period 2015–2019, its policy is characterized by a relatively stable payout ratio and moderate changes in dividends, both resulting in predictability. For the period 2014–2022, a long-term trend is observed of gradual increase in dividends, even though there are temporary falls. This trend was interrupted in 2023. The company dividend policy reflects a strive to ensure shareholders rewards, as well as long-term stability.

## **CONCLUSION**

The study of public companies from the manufacturing industry in Bulgaria shows that the majority of them have never paid cash dividends for the period 2014-2022. This is also true for public companies in this industry classified in the sector of industrial goods and materials. Among these public companies, 40% of the companies that paid cash dividends during the period under review (including those that did so only once) did so every year. Only half of the examined companies have paid dividends every year of the whole period under review and at the same time have implemented a consistent dividend policy.

Most of the analyzed companies maintain or even increase the dividend amount for the pandemic 2020 and 2021.

In general, the information published by the companies under review lacks clear details and specifics about the type of dividend policy they implement. Greater clarity and transparency with regard to the processes for determining the dividends paid would provide a better picture of the stability and reliability of the companies, which strengthens the confidence of investors in them. Implementing a consistent dividend policy reduces uncertainty, increases trust in the company and investors' confidence in the stability and long-term prospects of the investment.

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