The factors that influence the non-financial listed companies in China and the USA to adopt cash dividend --------An empirical examination for 2011-2016

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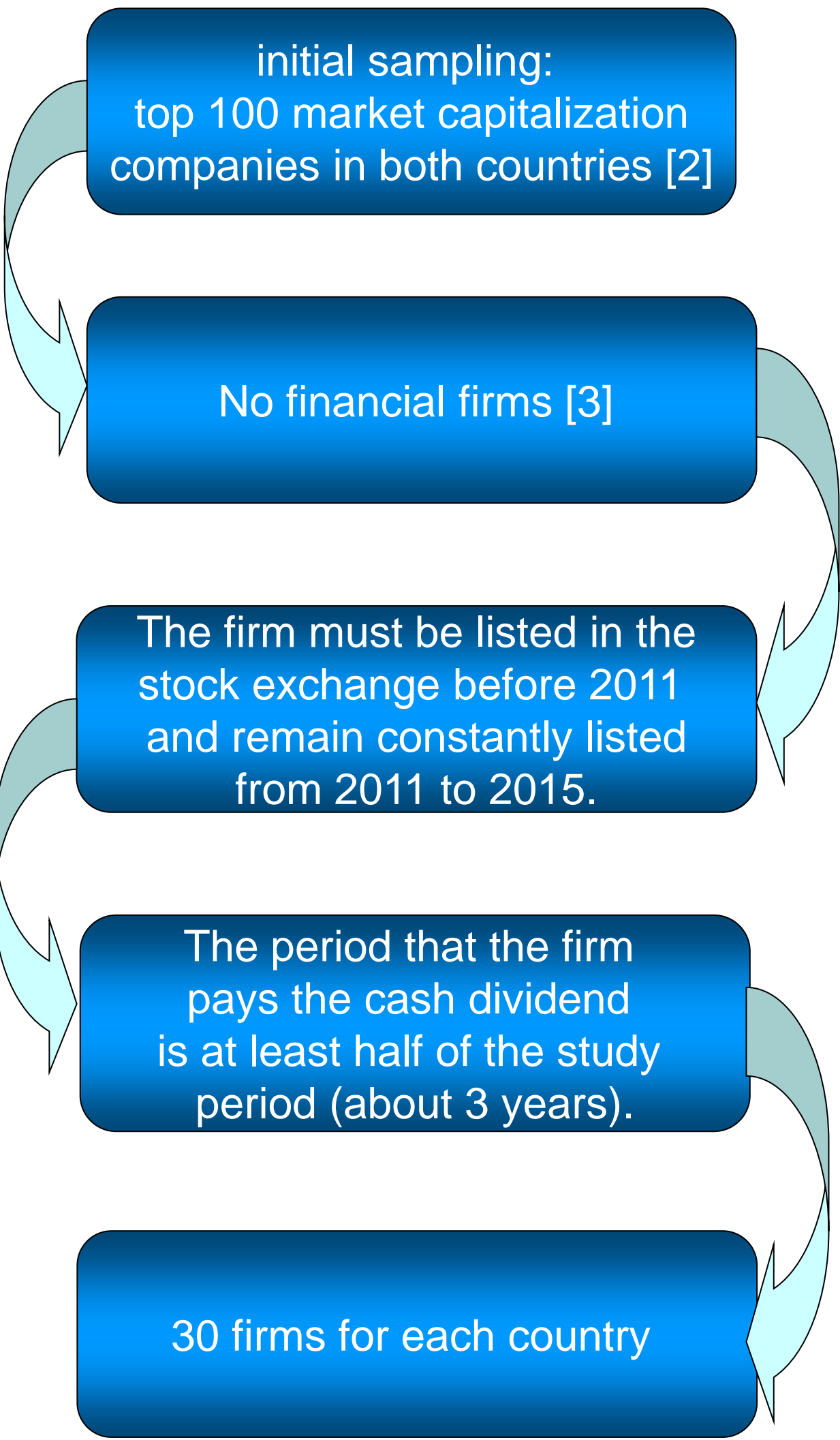
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Background

In the twenty-first Century, in the company finance, dividend policy is one important factor that can affect the investors to decide whether to provide funds for the company or not. As one of the important ways for the distribution of the firm's profit, cash dividend can become an effective way for investors who try to obtain the return on their investment. Moreover, shareholders can supervise the companies that are listed on the market to fulfill the obligation through the dividends that the companies have paid and it also can facilitate the securities market to have the healthy development [1]. Therefore, the firms need deliberate over many aspects when they make the dividend policy decision. It is necessary for the companies to analyze the main influencing factors of the cash dividend.

Object

This study critically examines the main influential factors that can cause the non-financial listed companies in China and the USA to adopt cash dividends through an examination of dividend policy over the period 2011-2016.

Sample Firms

This study focuses on the stock market of China and the USA, and the following selection Criteria are for the sample firms:

- initial sampling: top 100 market capitalization companies in both countries [2]
- No financial firms [3]
- The firm must be listed in the stock exchange before 2011 and remain constantly listed from 2011 to 2015.
- The period that the firm pays the cash dividend is at least half of the study period (about 3 years).
- 30 firms for each country

Multiple Linear Regression Model

It is necessary to adopt an econometric model to get the estimation that can find the relationship between the different independent variables and the dependent variables. Therefore, the study builds the model through the Multiple Linear Regression Model [4] and the model is as follows:

$$DS_{it} = \beta_0 + \beta_1 PR_{it} + \beta_2 TS_{it} + \beta_3 AS_{it} + \beta_4 NPS_{it} + \beta_5 DY_{it} + \beta_6 MV_{it} + \beta_7 SIZE_{it} + \beta_8 OI_{it} + \beta_9 IO_{it} + \beta_{10} DPY_{it} + \beta_{11} SG_{it} + \beta_{12} DL_{it} + \varepsilon_{it}$$
$$(i = 1, 2, \ldots, 30)$$

Results

Independent Variable	Payout Ratio	Turnover per Share	Asset per Share	Net Profit per Share	Dividend Yield	Market Value
China	N	↑	N	↑	↑	↑
USA	N	↓		↓	↓	N
Independent Variable	Size	Operating Income	Investment Opportunity	Dividend of the Previous Year	Sale Growth	Debt Level
China	↓	↓	N	↑	N	N
USA	↑	N	N	↑	N	↓
Dependent Variable: Dividend per Share						

Conclusion

The dividend of the previous year has the positive significant impact on the companies of both countries. Some factors such as the size and the dividend yield have the different effect for different countries. The dividend yield has the positive relationship with the distribution of dividends for the firms in China, but the negative relationship with the firms in the USA. The size is opposite. Several variables have no significant impact on the companies, for example, the payout ratio and the sale growth. Some factors only influence one country's companies, for instance, the market value can affect positively the dividend payout of Chinese firms and the debt level can have a negative effect on the American companies. These findings can help a company to adopt an appropriate dividend policy and investors to improve the effectiveness of investment decisions.

Recommendation & Future Work

- More companies such as the other listed companies should be considered.
- It needs to cite more references and not only use the secondary data.
- It could adopt the method such as the questionnaires or interviews and the quantitative and qualitative methods at the same time may get the more comprehensive findings.

Dependent Variables → Dividend per Share (DS)

Turnover per Share (TS)
Payout Ratio (PR)
Net Profit per Share (NPS)
Dividend of the Previous Year (DPY)
Debt Level (DL)
Asset per Share (AS)
Investment Opportunity (IO)
Operating Income (OI)
Dividend Yield (DY)
Size (SIZE)
Market Value (MV)
Sale Growth (SG)

Independent Variables

Reference

[1] Deng, G., Zhao, S. and Zhu, N. (2015) 'Does refinancing incentive affect cash dividends policy? Evidence from the semimandatory dividend policy in China', Emerging Markets Finance & Trade, 51(6), pp.1099-1116.
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