

## Financial Characteristics, Corporate Governance and the Propensity to Pay Cash Dividends of Chinese Listed Companies

CHEN Litai<sup>1,\*</sup>; LIN Chuan<sup>2</sup>; Yong-cheol Kim<sup>3</sup>

<sup>1</sup>Chongqing University, China; University of Wisconsin-Milwaukee, Department of Finance

<sup>2</sup>Chongqing University, China  
Email: cqdxlc@gmail.com

<sup>3</sup>University of Wisconsin-Milwaukee, Department of Finance  
Email: ykim@uwm.edu

\*Corresponding author.

Address: Chongqing University, China; University of Wisconsin-Milwaukee, Department of Finance  
Email: cltmx@cqu.edu.cn

Received 3 July 2011; accepted 14 August 2011

### Abstract

Employing 1056 A-share listed companies in Shanghai and Shenzhen Stock Exchanges from 2001 to 2007, we analyse empirically the influence of financial characteristics and corporate governance on propensity to pay cash dividends of companies. The result shows that in the related indexes of the financial characteristics of companies, the company size, cash flow, asset liquidity, profitability as well as whether cash dividends are paid in the previous year are positively correlated with propensity to pay cash dividends of companies. Investment opportunity and debt ratio are negatively correlated with the propensity to pay cash dividends of companies. Growth has uncertain influence on the propensity to pay cash dividends. In the corporate governance characteristics, existence of controlling shareholders, state-owned shareholder as the largest shareholder, the size of the board of directors, top-management compensation and listing factors in other markets are positively correlated with the propensity to pay cash dividends of companies. Tradable share ratio and CEO duality factor are negatively correlated with the propensity to pay cash dividends of companies. Independent director factor has uncertain influence on the propensity to pay cash dividends of companies. In general, financial characteristics shows that Chinese listed companies have the capability to pay cash dividends, but the corporate governance factors have

negative influence on the cash dividend payment of listed companies.

**Key words:** The propensity to pay cash dividends; The company factor; Financial characteristics; Corporate governance

CHEN Litai, LIN Chuan, Yong-cheol Kim. (2011). Financial Characteristics, Corporate Governance and the Propensity to Pay Cash Dividends of Chinese Listed Companies. *International Business and Management*, 3(1), 176-188. Available from: URL: <http://www.cscanada.net/index.php/ibm/article/view/j.ibm.1923842820110301.1Z0653>  
DOI: <http://dx.doi.org/10.3968/j.ibm.1923842820110301.1Z0653>

### INTRODUCTION

How much cash should firms give back to their shareholders? Why do some firms pay cash dividends while others do not? Why do some firms pay out a big fraction of their earnings as dividends while others only a small one? What percentage of their earnings paid is appropriate? What are the determinants of propensity to pay cash dividends? Dividend policy has been paid extensive attention because it has influence on the reasonable distribution of interests of listed companies between shareholders and firms (as retained earnings). It is also called “Dividend Puzzle” because a general dividend mode can’t be found (Black, 1976).

Since the publication of seminal paper of Miller and Modigliani (1961) irrelevance propositions, many financial economists has been wrestling with “the Puzzle”. A lot of dividend literature has proposed a host of explanations to it. Such as: agency costs theory (Jensen and Meckling, 1976; Rozeff, 1982), signaling hypothesis (Lintner, 1956; Miller and Modigliani, 1961), “bird-in-the-hand” hypothesis (Miller and Modigliani, 1961; Bhattacharya, 1979), tax client effect theory (Brennan, 1970), and catering theory of dividends (Baker and Wurgler, 2004a, 2004b). In general, the literature focuses

on what factors influence dividend-policy-making and how the different factors impact on the dividend-policy-making in different way.

Chinese financial market is an emerging market and the history of Chinese stock market is shorter: Shanghai Stock Exchange and Shenzhen Stock Exchange were founded in 1990 and 1991 respectively. However, the number of listed firms grows very quickly (table 1) and the total market value has increased to 32.71 trillion RMB (about 4.5 trillion dollar) in December 31, 2007. Until now, lots of papers have investigated on the dividend policy of American and European financial market deeply. Relatively little research has yet been published studying the cash dividends policy of Chinese listed firms.

**Table 1**  
**Number of Listed Firms**

1990	10	8	2	10			
1991	14	8	6	14			
1992	53	29	24	53		18	
1993	183	106	77	183	3	34	6
1994	291	171	120	227	6	54	4
1995	323	188	135	242	11	58	12
1996	530	293	237	431	14	69	16
1997	745	383	362	627	17	76	25
1998	851	438	413	727	18	80	26
1999	949	484	465	822	19	82	26
2000	1088	572	516	955	19	86	28
2001	1160	646	514	1025	23	88	24
2002	1224	715	509	1085	28	87	24
2003	1287	780	507	1146	30	87	24
2004	1377	837	540	1236	31	86	24
2005	1381	834	547	1240	32	86	23
2006	1434	842	592	1287	38	86	23
2007	1550	860	684	1396	45	86	23

In China, the dividend puzzle is even deeper as expected. Some papers mainly focus on the explanation to the dividend policy and description to the current situation of the dividend policy (Wei, 1998; Li, 1999; Lv, 1999). The related research finds some characteristics in the dividend policy of Chinese listed companies, which are severe phenomena: not to pay dividends, many methods to pay dividends and less cash dividends to be paid. Meanwhile, the research shows that cash dividend is the main dividend payout method in the foreign western country's listed companies (Yuan, 2001). In American stock market, cash dividend had been being the main method to pay dividends until the middle of 1980's. Stock repurchase became the important method to pay dividends after middle of 1980's (Allen and Michaely, 2002). The European stock market also shows the same trend to American market (Eije and Megginson, 2006). Using stock as bonus share, share allotment and some other methods in China are not seen as the behavior of dividends payment by international investors. The quality and purity don't have the same general magnitude with cash dividend. Some researches show that the dividend yield in China is only 0.72% higher than the interest

rate of current deposit, even less than a half of 1.17% of interest rate of time deposit in three months. For example, in Wuliangye's (SZ000858) profit distribution plan of 2008, only 0.5 RMB per 10 shares (including tax) were paid as cash bonus dividends. The dividends shareholders get are not higher than bank interest. It shows that the cash dividends in Chinese stock market actually only has symbolic meaning (Gao, 2002). The other main methods to pay dividends is stock repurchase in the western countries, which is used seldom due to the regulations of law. Cash dividends policy shows the operation situation of listed companies and impacts the stock price, so it has significant meaning to listed companies. However, what factors impact the propensity to pay cash dividends of Chinese listed companies and what cause propensity not to pay cash dividends of listed companies?

The research on determinants of cash dividend policy begins with dividend equalization concept from Linter (1956), who thought dividend changes depended on the dividend level in the previous year and current earnings and the partial adjustment on the basis of the target of fixed dividend payout ratio. By researching American listed companies, Baker et al (2001) found that the main influencing factors to select cash dividend policy were the past dividend payout situation, profit stability and current and expected return level. Allen and Michaely (2002) thought that profitability of company, company size, debt ratio and company growth had important influence on the dividend payout policy. Some scholars did some research on the factors to impact cash dividend policy. For instance, Shleifer and Vishny (1986), they used inter-temporal model to prove the minority shareholders' optimum selection to dividend policy and the dividend compensation function of dividends to majority shareholders on the basis of dividend policy and the agency problem between majority and minority shareholders. DeAngelo et al (2004) thought that dividend payout policy decision had highly and obviously positively correlated with the proportion of earned interests in the holder's interests or total assets. Farinha (2003) proved that dividend payout ratio had obvious U-type relation with the equity percentage of insiders by the data from UK. However, it is few to do the research from the view of cash dividend policy. Xing Liu etc. (1997) did some research and found that the factors to impact cash dividend policy were investment value factors of companies, profitability factor of companies, the long-term development confidence factor of companies and asset liquidity factor of companies. Lv and Wang (1999)'s research data in 1997 and 1998 showed that cash dividend policy was mainly impacted by company size, shareholders' interests, profitability, liquidity, agency cost, state-owned and legal-person holding degree, debt ratio, and some other factors. Yi (2008) thought that the capital factors influenced cash dividend were net cash flow of

current and past business activities. Yang (2008) found that cash dividend payout ratio was negatively correlated with enterprise value and the proportion of shares held by management. Tang and Zhou (2005) got the conclusion different from the foreign researches, which were that non-tradable shareholders in the listed companies had the propensity to pay cash dividend; and methods of administrative supervision to the market had big influence on the dividend policy. Whereas, there is a lack of the complete and systematic research on influencing factors to pay cash dividends in Chinese listed companies, so we hope to research on it further in this article.

We examine the Propensity to Pay Cash Dividends of Chinese Listed Companies over the period 2001-2007. We start our analysis from 2001 for three reasons. First, this is a historically logical date to begin, since this was when China joined the WTO. This means China has fully decided to adopt the world common market-oriental rules. The second reason for beginning in 2001 is empirical; prior to that date, the database used provides less than comprehensive coverage of Chinese listed firms. Third, Gang Wei (2003) has researched the issue in the period of 1995-2001, so we hope we can provide more new evidence. We conclude the study with data in 2007, since this was the final year that we can get the completed data.

The factors to impact cash dividend policy of companies are state factor, industry factor and company factor. The state factor is macro factor including influences of macro economy and policies and regulations, but there is a lack of evident quantitative index to state factor in the current research literature. Industry factor is meso factor, of which influence produces different researching results. Some research show that industry factor impacts dividend policy (Smith, 1992). Some also show that variable industry similarity but not the industry itself results in the similarity of dividend policy in the same industry (Rozeff, 1982). Company factor is the micro factor, which is the direct and the most important factor to impact cash dividend policy. That is because the own differences of different companies result in their different dividend policy. Therefore, in this article, with a view of company factor, we divide it into financial characteristics and corporate governance; try to analyze their influence on cash dividend policy, and study systematically on cash dividend policy of Chinese listed companies by theoretical analysis and empirical test. The arrangement below in this article is as following. The second part is theoretical analysis and research hypothesis. In the theory, we analyze financial characteristics and corporate governance's influence on the propensity to pay cash dividend policy of listed companies. The third part is research and design including variable definition, model specification and data explanation. The fourth part is to make an empirical analysis, meanwhile analyze the empirical result and make stability test. The fifth part is conclusion.

## 1. THEORETICAL ANALYSIS AND RESEARCH HYPOTHESIS

The company factor is the most significant factor which impacts cash dividend policy. The state and industry factors impact by changing the corporate internal structure. In this article, the company factor is divided into financial characteristics and corporate governance. Financial characteristics decide if the listed companies have the capability to pay cash dividends. That is to say they can or can't. Corporate governance decides if the listed companies are willing to pay cash dividends. That is to say they are willing or aren't.

### 1.1 Financial Characteristics

Financial characteristics are the integrated reflection to the management condition of the company. The change of different influencing factors makes the amount of capital changed which may be used to pay cash dividend, so as to impact to make cash dividend policy. Financial characteristics have 8 factors including company size, cash flow, asset liquidity, investment opportunity, profitability, growth, debt ratio and stability of the dividend policy.

#### 1.1.1 Company Size

The company size shows the strength of a company, presents how much the capital, profit and spendable integrated resources are, and decides the development potential in the future, so that it can impact cash dividend policy. Large-size Company usually has been developed in the mature stage, so the equity expanding space is smaller, cash flow is more stable, capital is more enough, and meanwhile, expanding desire is weaker. In order to maintain own mature image and protect minority shareholders' interests, they usually have the propensity to pay cash dividends (Smith, 1992). Chang et al (1990) thought that it was also easy for large-size companies to get external capital due to their better commodity credit or honor. The dependence to internal financing is not strong, so they have more propensities to pay develop cash dividends. However, because small-size companies are in the initial or middle periods of development, in order to enhance competition and increase market share, their stronger expanding desire depends on more capital, but their capital is not enough, and financing methods are less, so they usually trend not to pay cash dividends. Therefore, the following point comes into this article.

*H1: Company size is positively correlated with the propensity to pay cash dividends.*

#### 1.1.2 Cash Flow

The cash need to be used to pay cash dividends, so the listed companies have more confidence to pay cash dividends when they have enough circulating capitals and have no problem for their short-term liability. But the companies in a bad situation of cash flow don't have the financial capability to pay cash dividends. If cash flow of

each stock shows negative value, the listed companies will have no way to pay cash dividends. Jensen (1993) thought that when listed companies had enough cash flow, it would cause over-investment due to accept the investment plan with negative net present value. In order to reduce operator's over-investment and promote the corporate value, the listed companies will reduce their free cash flow by paying cash dividends. Therefore, the following point comes into this article.

*H2: Cash flow of companies is positively correlated with the propensity to pay cash dividends.*

### **1.1.3 Asset Liquidity**

By researching, Liu et al (1997) thought that the asset liquidity impacted to make cash dividend policy of companies. Usually, the companies with strong asset liquidity mean that they have more current assets and less current liability. The more the company has asset liquidity, the stronger management and operation capabilities are, the less the company has requirement and dependence to the monetary fund, the more the monetary fund can be used to pay cash dividends. Therefore, the following point comes into this article.

*H3: Liquidity is positively correlated with the propensity to pay cash dividends.*

### **1.1.4 Investment Opportunity**

The companies which are growing have lower profitability and more liability usually go to hunt for more investment opportunities. The available cash flow is less, so they need to retain cash and not to pay cash dividends. The investment of mature company is less, so the situation is opposite, they don't need to keep more cash and they trend to pay cash dividends. The capital requirement of the listed companies is mainly including investment capital requirement and dividend payout, so more investment opportunities require more capital and need retain more profit, so that it must cut the capital requirement of cash dividend payout. Therefore, the following point comes into this article.

*H4: Investment opportunity is negatively correlated with the propensity to pay cash dividends.*

### **1.1.5 Profitability**

Profitability impacts directly the current profit distribution and undistributed profit of the company. Profit is the main resource of cash dividend, so profitability is the most important influencing factor and basis (Michael et al, 1990; Graham and Bromson, 1992). Corporate value depends on the profitability, so usually the higher and more stable current and future profitability is, the more profit can be paid, then it makes the company have more confidence to keep the capability to pay cash dividends. The company hopes more to show their good management condition to the market by paying more cash dividends so as to keep their good image in the market. Usually to pay cash dividends means that the company managers are full of confidence to keep higher profit level and have enough

cash to support cash dividend in the future. Oppositely, if the managers estimate that the future corporate profit is not ideal, then they can't just pay. Therefore, the following point comes into this article.

*H5: Profitability is positively correlated with the propensity to pay cash dividends.*

### **1.1.6 Growth**

Good-growth companies mean they have stronger growth ability, more requirements to develop market and expand business, so they usually don't pay cash dividends for cash requirement. Due to more investment opportunities, the growing company need consider more about enterprise operation development and company size expansion in the future, so they retain the net profit but not pay cash dividends. Bad-growth and mature companies have the propensity to pay cash dividends because they need solve over-investment problem in one side, and they have more self-required fund stock and capital resources in the other side. In addition, growth opportunity can weaken the largest shareholder's incentive to pay cash dividends, and promote the company to retain more cash for valuable investment opportunities. The largest shareholder can force the company to give the redundant free cash flow so as to increase investment in the high-growth companies, and to increase dividends in the low-growth companies. Therefore, the following point comes into this article.

*H6: Growth is negatively correlated with the propensity to pay cash dividends*

### **1.1.7 Debt Ratio**

Debt ratio is relative with financial structure of companies. In the accounting policy, the company with high debt ratio trends to select the projects which can increase interests to improve the worsening financial structure, so the companies trend to retain profit to meet capital demand, then the capital for paying cash dividends will be reduced. If the companies still select to pay cash dividends, it will only make the financial situation worse, so the only choice of companies is not to pay. Many Chinese listed companies have over high debt ratio. It becomes a sign of corporate management worsening, so those companies wouldn't like to distribute profit to make the financial situation much worse, but they would like to retain profit in the companies. Meanwhile, the creditors will force companies to limit profit to be used for their own interests when the financial situation is worsening. If the debt ratio is too high, creditors will require retaining profit and reducing to pay cash dividends. Therefore, the following point comes into this article.

*H7: Debt ratio is negatively correlated with the propensity to pay cash dividends.*

### **1.1.8 Stability of Dividend Policy**

According to the client effect theory of dividend policy and stability theory of dividend policy, the cash dividend policy of companies in the previous year will attract the investors who prefer cash dividends, and improve

shareholders' expectation to the cash dividends in the current year. In order to keep the stability of stock price, operators will keep performing current cash dividend policy. The reason is that it will cause to lower the investors' attraction to make stock price unstable if not keeping on paying cash dividends. Therefore, level-headed operators will keep on performing cash dividend policy to avoid the risk. But the types of dividend and dividend payout level before also have important influence on the current dividend policy. When the company makes the current-year dividend policy, they will consider the situation to pay dividends in the previous year to keep the dividend policy stable. Therefore, the following point comes into this article.

*H8: Stability of dividend policy is positively correlated with the propensity to pay cash dividends.*

## 1.2 Corporate Governance

The corporate governance decides the quality and developing level of listed companies basically. It solves the existed agency problem and impacts company decision-making, which impact cash dividend policy of companies. The corporate governance has 4 influencing factors mainly including the equity structure, structure of the board of directors, management compensation and legal environment.

### 1.2.1 Equity Structure

Equity structure is the proportion of different-property stocks in the corporate shareholding equity and their correlation. It is the foundation of property right to the corporate governance. It includes equity concentration, equity attribute and equity circulation.

Equity concentration is whether there are controlling shareholders in the company. Its economic nature impacts the propensity to pay cash dividends of listed companies (Wang, 2007). Shleifer and Vishny (1986) also designated that the money from increase of stock price makes the minority shareholders' interests trend to coincide when there are controlling shareholders in the company. Controlling shareholders have motivation and ability to pursue the maximization of corporate value, so it will produce certain control to the enterprise management level, and solve traditional agency problem to avoid "hitchhike" phenomenon in the situation of high equity decentralization. Bai (2005) thought that other shareholders' share holding would have positive influence on corporate governance. When the company is in a bad management situation, the more concentrated the equity of those shareholders is, the more possible they strive for the control right or assist outsiders to fight for control right. In addition, those majority shareholders also can perform supervision to business management.

Comparing with the state-owned holding companies, usually it is easier for the non state-owned holding companies to control earnings through connected transaction, so all the non state-owned holding companies

can get profits from companies in the enough methods. It makes them not share profit equally to all the shareholders in the method of cash dividend. Oppositely, the state-owned holding companies prefer to get profits in the method of cash dividend.

Most of the research shows that the shareholders holding tradable shares in Chinese capital market prefer to pursue stock dividends but not cash dividends. Tradable share ratio is negatively correlated with cash dividends. The more tradable share ratio the company has, the less possibly the company pays cash dividends (Yang 2000; Wei and Jiang, 2001; Zhou and Zhu, 2006). In the dualistic system of equity structure, controlling shareholders' shareholding cost is much lower than the shareholders holding tradable shares. Investment yield of the shareholders holding tradable shares is much lower than the shareholders holding non-tradable shares, so the shareholders holding tradable shares limit the behavior of cash-out of the shareholders holding non-tradable shares. Therefore, the following points come into this article.

*H9-1: Controlling shareholders is positively correlated with the propensity to pay cash dividends.*

*H9-2: State-owned holding is positively correlated with the propensity to pay cash dividends.*

*H9-3: Tradable shares ratio is negatively correlated with the propensity to pay cash dividends.*

### 1.2.2 The Structure of Board of Directors

The board of directors is the important organ to guarantee the shareholders' interests. The structure of board of directors has significant influence on cash dividend policy of companies. The structure characteristic of board of directors is mainly including the size of board of directors, proportion of independent directors and CEO duality.

Lipton and Lorsch (1992) thought the size of board of directors should be less than 10 people, and it is better to have 9 people to avoid "hitchhike" phenomenon and loss caused by insufficient coordination and communication. Luo (2006) thought that the management of Chinese listed companies nowadays was not perfect. It is no way for the small-size board of directors to maintain all shareholders' interests, but not only maintain the majority shareholders' interests. The large-size board of directors should be able to control the agency conflict efficiently. The large-size board of directors has resource advantage and provides cross-industry management and help to create the good external image and performance of company (Coles, 2005). The large-size board of directors also can present various interests to avoid crony and to hire the competent outside directors, which are good for all communication and coordination.

Independent director system is the important composition of the corporate governance structure today. Schellenger (1989) found that proportion of independent directors was positively correlated with cash dividend payout. Proportion increase of independent directors helps board of directors to participate strategies more because

independent directors can not only participate corporate decision but also from the power to influent decision. If the proportion of independent directors is higher, it will enhance the efficiency of supervision of board of directors to prevent the majority shareholders from abusing control right and increase the transparence of board of directors to ensure fairness in the board of directors.

Molz (1988) thought that the board of directors controlled by corporate management can not perform their legal governance function. Jensen (1993) thought that when CEO is the president in the board of the directors, the board of the directors can't perform their key function, as well as internal control system will be invalidated. At that time, CEO gets more power to control the board of directors. The independence of the board of directors is impacted. It will be more possible for CEO to pursue his own interests but not all shareholders' interests. Xiang and Feng (2008) thought that currently internal control phenomenon in Chinese boards of directors was very obvious, which causes severe agency problem. Separated leadership can strengthen board of directors to corporate supervision beneficial to improve corporate performance. Therefore, the following points come into this article.

*H10-1: The size of board of directors is positively correlated with the propensity to pay cash dividends.*

*H10-2: The size of independent directors is the negatively correlated with the propensity to pay cash dividends.*

*H10-3: CEO duality is negatively correlated with the propensity to pay cash dividends.*

### 1.2.3 Management Compensation

A reasonable compensation system can insure management to make the maximization of shareholders' interests as the target and connect the compensation to performance in order to release the conflicts of interests between management and shareholders. It solves the enterprise principal-agent problem in the large degree. With getting their compensation, the top-management has responsibility in the result from their decision. The top-management getting higher compensation will work harder. Comparing with the top-management getting less compensation, the top-management getting higher compensation will work harder and make investment decision more suitable to shareholders' interests. In the research of compensation and corporate performance, Hotmstrom (1979) thought that there was high correlation between corporate performance and how hard agent works. The agent's compensation and performance sensitivity should be higher. The members in management should have enough incentive and connect their income to service; otherwise you can't expect that they can burden the task to make adaptable corporate policy. Therefore, the following point comes into this article.

*H11: The management compensation is positively correlated with the propensity to pay cash dividends.*

### 1.2.4 Legal Environment

In the research, La Porta et al (1998) found that good legal environment had evident effect in supervision to managers and protection to the investors. Although Chinese listed companies confronted the same Chinese legal environment. However, some companies are listing in other markets, so those companies had to submit the approved corporate financial report through strict audit, complying with the legal rules in that market. Thereby, such listed companies in other market at the same time will confront the more strict supervision from more investors. It is necessary to open their financial information and the high transparency. Honest managers can provide the information concerning corporate management situation, financial situation and external environment fully, correctly and in time. It can help to improve the corporate governance level. Therefore, the following point comes into this article.

*H12: Listing in other market is positively correlated with the propensity to pay cash dividends.*

---

## 2. RESEARCH DESIGN

---

### 2.1 Definition of Variable

#### 2.1.1 Explained Variable

The propensity to pay cash dividends (*DIVIDEND*): In the research, Deng (2005) thought that the proportion of companies performing cash dividend went up after 2000, which had obvious correlation with policy guidance, but the dividend per stock went down obviously. Whereas, the pre-tax dividend per stock is less than 0.05 RMB in many companies, which makes the investors get nothing almost. It means that the purpose of some companies to pay cash dividends is to meet the requirement of China Securities Regulatory Commission to share allotment and additional equity offer. According to this method, in this article, we see the companies which the dividend per stock is less than or equal to RMB 0.05 as the cash dividend undistributed company. That is to say when the annual cash dividend per stock is more than 0.05, it is equal to 1, and otherwise it is equal to 0.

#### 2.2.2 Explanatory Variable

Financial characteristics:

(1) Company size (*SIZE*): express by total asset index and use the natural logarithm;

(2) Cash flow (*CF*): express by net cash flow index;

(3) Asset liquidity (*LIQUID*): express by the liquidity ratio index;

(4) Investment opportunity (*IO*): express by price-earnings ratio index. The companies with higher price-earnings ratio have more investment opportunity;

(5) The profitability (*PROFIT*): express by undistributed profit index per stock. The more the index is, the stronger the profitability is;

(6) Growth (Grow): express by growth rate of total assets. Growth rate of total assets = (annual total assets – total asset in the previous year)/average of total assets. The higher the index is, the higher growth is;

(7) Debt ratio (DEBT): express by asset debt ratio index;

(8) Stability of dividend policy (PREYEAR): express by the index whether pay cash dividends or not in the previous year, cash dividend in the previous year is equal to 1, otherwise, it is equal to 0.

Corporate governance:

(9) Controlling shareholders (DUMBCS): According to the amount of the largest shareholder's shareholding, confirm whether controlling shareholders exist or not. If the amount of the largest shareholder's shareholding is over 30%, it is equal to 1, otherwise it is equal to 0;

(10) State-owned stock (SP): According to the largest shareholder's attribute, make sure if the state-owned holding exists. If the largest shareholder is state-owned stock, it is equal to 1; otherwise, it is equal to 0;

(11) Equity circulation (AL): express by proportion index of tradable shares;

(12) Size of the board of directors: express by the index of the number of people in the board of directors in the end of year;

(13) Independent directors scale (DR): express by the index of proportion of independent directors in the end of year, proportion of independent directors = the number of independent directors/ the number of people in the board of directors;

(14) CEO duality (CEO): select the variable that whether have CEO duality or not as the index, if have CEO duality, it is equal to 1, otherwise, it is equal to 0;

(15) Management compensation (EOR): express by the sum of first 3 top-managers' compensation, and get its natural logarithm;

(16) Legal environment (HB): select the index whether listing in the other markets or not to measure. If listing in H or B stock market, it is equal to 1; otherwise, it is equal to 0.

## 2.2 Test Model

In this article, we establish binary choice Logit model to test the influence of all factors to the propensity to pay cash dividends of the listed companies. Logit model is based on binary standard of the decision maker's judgment to event occurrence probability. That is the explained variable Y always is equal to 1 or 0. When the tested event happened, make Y equal to 1. This model is efficient to test the correlation between the binary dependent variable and influencing factors. Furthermore, Logit model estimation is completed by the maximum

likelihood function. In this article, as the different factors impacting the propensity to pay cash dividends, we establish different models in different sides of financial characteristics and corporate governance. See the details below:

Financial characteristics model:

$$DIVIDEND = \beta_i \text{Financial characteristics variable} + \gamma_i \text{Control variable} + C_i + \varepsilon_i \quad (1)$$

The detailed variables of financial characteristics include SIZE, CF, LIQUID, IO, PROFIT, GROW, DEBT and PREYEAR, the corresponding test models are 1-8, control variables include the corporate governance factor, industry factor and annual factor and C is the optional absolute term.

Corporate governance model:

$$DIVIDEND = \beta_i \text{Corporate governance variable} + \gamma_i \text{control variable} + C_i + \varepsilon_i \quad (2)$$

The corporate governance variables include DUMBCS, SP, AL, BSIZE, DR, CEO, EOR and HB, the corresponding test models are 9-17, and control variable includes financial characteristics factor, industry factor and annual factor. C is the optional absolute term.

## 2.3 Sample Selection and Data Resource

In 2000, China Securities Regulatory Commission issued a regulation that if listed companies apply for share allotment or additional equity offer, they must pay cash dividends for 3 years. In 2001, a regulation was issued about the explanation of the phenomenon about not paying cash dividends of the listed companies for about 3 years. Since 2001, the phenomenon that listed companies perform cash dividends has been increased. On the basis and data availability, the data of A-share listed companies in Shanghai and Shenzhen stock market from 2001 to 2007 is finally selected to research in this article. On the basis of initial sample selection, the corresponding data processing is done in the article. The detailed principles include: (1) Due to the specialty of business in the financial industry, the data of listed companies in financial industry is deleted; (2) Delete the data of delisted companies as the sample for over 1 year; (3) Delete the data of companies of which lack more data and can't complement the data when they are as the sample. Finally, 1056 A-share listed companies in Shanghai and Shenzhen stock market from 2001 to 2007 are made as research objects in this article. The data of listed companies is from the data bases CSMAR, CCER and CCFR. Some lost data is gotten by looking up manually annual reports of the listed companies in every year. The annual reports are found in Stock Star (<http://www.stockstar.com/>). The software EVIEWS6.0 is used for measurement model process.

<sup>1</sup>This definition follows the regulations in Guidance for Articles of Association of Listed Companies made by China Securities Regulatory Commission.

### 3. EMPIRICAL ANALYSIS

#### 3.1 Descriptive Statistics

The descriptive statistics characteristics of variables in above models in the sample companies are shown in Table 1.

The description of statistics in Table 1 shows that DIVIDEND average is 0.359, which means that less than 40% of the companies in the sample pay cash dividends in the current year. In the financial characteristics, SIZE average is 12.024, the maximum is 18.090, and the minimum is 4.948, which reflect that there are larger differences in the company size. CF average is 0.080, which shows that net cash flow per stock of listed companies is 0.080 RMB. LIQUID average is 1.548, which shows that general current assets of the listed companies can have some guarantee to the current liabilities. However, the maximum is 55.741, the minimum is 0.006, which shows that there are larger differences between the companies. IO standard difference is 2033.906. If the value is bigger, it means that investment opportunity decentralization of all companies is big. PROFIT average is 0.070, which shows that the general profitability of listed companies is not strong. GROW average is 0.0717 and standard deviation is 39.535, which show growth data distribution discretization of listed companies. DEBT average is 0.558, which shows that the general debt ratio of listed companies is high. PREYEAR average is 0.376, which shows that less than 40% of the companies in the sample pay cash dividends in the previous year. In the corporate governance, DUMBCS average is 0.637, which shows that there are controlling shareholders in more than 50% companies. SP average is 0.672, which shows that the largest shareholders in more than 50% companies are state-owned shareholders. AL average is 0.442, which shows that the tradable shares of listed companies are not over 50% generally. The median of BSIZE is 9 and the median of DR is 0.333, which mean the average number of people in the board of directors in Chinese listed companies is 9 and the average number of independent directors is 3. CEO average is 0.882, which shows CEO duality between the president in the board of directors and general manager exists in many Chinese listed companies. The natural logarithm average of management compensation is 3.661. The maximum is 7.544 and the minimum is 0.077, which show that there are bigger differences of top-management between the companies. HB average is 0.101, which shows that less listed companies in the sample list in other markets.

In order to avoid the possible multicollinearity problem, the correlation test is made in this article. Through correlation test, the correlation coefficients among various variables are all small. The maximum one is not over 0.4, which proves that multicollinearity problem does not exist between various variables. It makes the model test results more reasonable.

#### 3.2 Regression Analysis

##### 3.2.1 Regression Analysis on Financial Character

See Table 2 about regression result of binary choice Logit model of the financial characteristics.

**Table 2**  
**Descriptive Statistics**

	Mean	Median	Std. Dev	Maximum	Minimum
<i>DIVIDEND</i>	0.359	0.000	0.480	1.000	0.000
<i>SIZE</i>	12.024	11.953	1.033	18.090	4.948
<i>CF</i>	0.080	0.018	0.660	15.515	-5.945
<i>LIQUID</i>	1.548	1.208	1.965	55.741	0.006
<i>IO</i>	111.394	36.514	2033.906	163103.4	-33865.55
<i>PROFIT</i>	0.070	0.212	1.107	5.379	-14.299
<i>GROW</i>	0.717	0.134	39.525	3305.750	-111.258
<i>DEBT</i>	0.588	0.507	1.881	124.022	0.008
<i>PREYEAR</i>	0.376	0.000	0.484	1.000	0.000
<i>DUMBCS</i>	0.637	1.000	0.481	1.000	0.000
<i>SP</i>	0.672	1.000	0.469	1.000	0.000
<i>AL</i>	0.442	0.416	0.145	1.000	0.028
<i>BSIZE</i>	9.652	9.000	2.279	24.000	2.000
<i>DR</i>	0.285	0.333	0.124	0.750	0.000
<i>CEO</i>	0.882	1.000	0.322	1.000	0.000
<i>EOR</i>	3.661	3.689	0.913	7.544	0.077
<i>HB</i>	0.101	0.000	0.301	1.000	0.000

In Table 2, it shows that Hosmer-Lemeshow(H-L) value of the models can pass the test in 10% obvious level at least. It proves that there isn't obvious difference between the actual value distribution and estimated value distribution of the explained variable, as well as the model fitting effect is better. Therefore, the results of regression models are believable with stronger explanatory power.

For variables in details, except GROW, the influencing variables of financial characteristics can pass the test in 1% obvious level, which shows that the factors of financial characteristics have obvious effect on making cash dividend policy. The coefficient of Model 1 SIZE is positive, which is the same as expected. H1 is verified, which means that the bigger total assets scale the companies have, the more they have the propensity to pay cash dividends. The coefficient of CF in Model 2 is positive, which is same as expected. H2 is verified, which means that the more the cash flow per stock is, the more possibly they pay cash dividends. The coefficient of LIQUID in Model 3 is positive, which is the same as expected. H3 is verified, which means the positive correlation between making cash dividend policy and asset liquidity. The coefficient of IO in Model 4 is negative, which is the same as expected. H4 is verified, which means the companies with high investment opportunities have the propensity not to pay cash dividends. The coefficient of PROFIT in Model 5 is positive, which is the same as expected. H5 is verified, which means that the stronger profitability the companies have, the more possibility they have to pay cash dividends. The coefficient of GROW in Model 6 is negative, which is the same as expected. H6 can't be verified, which means that growth has uncertain influence on cash dividend

policy. The reason is that in one side, growth can bring more earnings required retaining, and in the other side, paying cash dividends must be done to meet the financing requirement. The coefficient of DEBT in Model 7 is negative, which is the same as expected. H7 is verified, which means the companies with high debt ratio have the propensity not to pay cash dividends. The coefficient of

PREYEAR in Model 8 is positive, which is the same as expected. H8 is verified, which means dividend policy has stability. The companies paying cash dividends in the previous year have more probability to do it again in current year.

### 3.2.2 Regression Analysis on Corporate Governance

See Table 3 about regression result of binary choice Logit model of corporate governance.

**Table 3-a**  
**The Logit Regression Results of the Financial Characteristics**

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
<i>SIZE</i>	0.61*** (0.0000)							
<i>CF</i>		0.29*** (0.0000)						
<i>LIQUID</i>			0.05*** (0.0004)					
<i>IO</i>				-0.00*** (0.0000)				
<i>PROFIT</i>					1.81*** (0.0000)			
<i>GROW</i>						-0.00 (0.4948)		
<i>DEBT</i>							-1.98*** (0.0000)	
<i>PREYEAR</i>								0.22*** (0.0000)
<i>DUMBCS</i>	0.54***	0.37***	0.36***	0.38***	0.49***	0.37***	0.41***	0.37***
<i>SP</i>	0.27***	0.26***	0.25***	0.27***	0.39***	0.26***	0.20***	0.25***
<i>AL</i>	-2.20***	-3.80***	-3.81***	-3.79***	-2.79***	-3.78***	-0.86***	-3.82***
<i>BSIZE</i>	0.03**	-0.04***	-0.04***	-0.04***	0.06***	-0.04***	0.05***	-0.04***
<i>DR</i>	0.20	-1.75***	-1.91***	-1.90***	0.32	-1.87***	0.08	-1.89***
<i>CEO</i>	0.13	-0.31**	-0.32***	0.29***	0.66***	0.50***	0.50***	0.49***
<i>HB</i>	-0.35***	0.20**	0.21**	-0.20**	-0.42***	0.19**	-0.04	0.20**
<i>C</i>	-10.11***	—	—	—	-3.19***	—	-1.86***	—
-----								
<i>YEAR<sub>i</sub></i>					Control			
<i>NDU<sub>j</sub></i>					Control			
<i>H-L</i>	20.74 <sup>AAA</sup> (0.0079)	29.66 <sup>AAA</sup> (0.0002)	37.99 <sup>AAA</sup> (0.0000)	34.27 <sup>AAA</sup> (0.0000)	54.90 <sup>AAA</sup> (0.0000)	35.66 <sup>AAA</sup> (0.0000)	20.00 <sup>AAA</sup> (0.0103)	38.20 <sup>AAA</sup> (0.0001)

**Table 3-b**  
**The Logit Regression Results of Corporate Governance Factors**

	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16
<i>DUMBCS</i>	0.56*** (0.0000)							
<i>SP</i>		0.46*** (0.0000)						
<i>AL</i>			-2.9*** (0.0000)					
<i>BSIZE</i>				-0.06*** (0.0000)				
<i>DR</i>					1.01*** (0.0000)			
<i>CEO</i>						-0.19 (0.0264)		
<i>EOR</i>							0.37*** (0.0000)	
<i>HB</i>								0.37*** (0.0001)
<i>SIZE</i>	0.62***	0.36***	0.73***	0.64***	0.68***	0.10***	0.57***	0.08***
<i>CF</i>	0.17***	0.17***	0.17***	0.16***	0.18***	0.21***	0.16***	0.22***
<i>LIQUID</i>	-0.05***	-0.1***	-0.1***	-0.1***	-0.1***	-0.1***	-0.1***	-0.1***

To be continued

Continued

	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16
<i>IO</i>	0.00***	-0.0***	-0.0***	-0.0***	0.0***	-0.0***	0.0***	-0.0***
<i>PROFIT</i>	1.31***	-1.33***	-1.40***	-1.30***	1.30***	-1.62***	1.22***	-1.65***
<i>GROW</i>	0.00	-0.00	-0.00	0.00	0.00	-0.00	0.00	-0.00
<i>DEBT</i>	-3.7***	-3.9***	-3.8***	-3.9***	-4.0***	-3.9***	-4.4***	-3.8***
<i>PREYEAR</i>	0.18***	0.17***	0.17***	0.17***	0.17***	0.13***	0.16***	0.14***
<i>C</i>	-7.12***	-7.2***	-6.7***	-7.4***	-7.6***	—	-7.2***	—
<i>YEAR<sub>i</sub></i> <i>NDU<sub>j</sub></i>				Control Control				
<i>H-L</i>	128 <sup>AAA</sup> (0.0079)	116 <sup>AAA</sup> (0.0002)	99 <sup>AAA</sup> (0.0000)	106 <sup>AAA</sup> (0.0000)	126 <sup>AAA</sup> (0.0000)	135 <sup>AAA</sup> (0.0000)	82 <sup>AAA</sup> (0.0000)	131 <sup>AAA</sup> (0.0000)

In Table 3, it shows that the Hosmer-Lemeshow(H-L) value of models 9-17 can pass the test in 1% obvious level at least. It proves that there isn't obvious difference between the actual value distribution and estimated value distribution of the explained variable, as well as the model fitting effect is better. Therefore, the results of regression models are believable with stronger explanatory power.

The variables of corporate governance can pass the test in 10% obvious level at least, which shows that the factors have obvious effect to make cash dividend policy. In details, in the side of equity structure, the coefficient of DUMBCS in Model 9 is positive, which is the same as expected. H9-1 is verified, which means that the companies owning controlling shareholders have more propensity to pay cash dividends. The coefficient of SP in Model 10 is positive, which is the same as expected. H9-2 is verified, which means that it is more possible to pay cash dividends when the largest shareholder is state-owned shareholder. The coefficient of AL in Model 11 is negative, which is the same as expected. H9-3 is verified, which means that Tradable share ratio is negatively correlated with making cash dividend policy. The coefficient of BSIZ in Model 12 is positive, which is the same as expected. H10-1 is verified, which means that the larger size of board of directors the listed companies have, the more they have propensity to make cash dividend policy. The coefficient of DR in Model 13 is positive, which is the same as expected. H10-2 is verified, which means that the bigger proportion of independent directors the companies have, the more probability they have to make cash dividend policy. The coefficient of CEO in Model 14 is negative, which is the same as expected. H10-3 is verified, which means it is less possible for companies to make cash dividend policy when CEO duality exists. The coefficient of EOR in Model 15 is positive, which is the same as expected. H11 is verified, which means it is good for management to do better to meet the company interests if increasing management compensation. It will trend to issue cash dividend more. The coefficient of HB in Model 16 is positive, which is the same as expected. H12 is verified, which means companies listing in other markets have more propensity to pays cash dividends.

### 3.3 Stability Test

In order to test the stability of the conclusion above, the stability tests in this article are below: (1) Make the data of the companies whether they pay cash dividends standard. According to make whether paying dividends as explained variable, many Chinese learners still do some research on it (Huacheng Wang, etc. 2007). That is to say, if the company pay cash dividends in the current year, the variable is equal to 1, otherwise, it is equal to 0, in the explained variables. In this article, that explained variable is used to do regression test. The result shows that the stability test result of financial characteristics variables is the same as the original test's result. Company size, cash flow, asset liquidity, profitability and cash dividends distribution in the previous year have the positive influence to make cash dividend policy. Investment opportunity and debt ratio have negative effect to make cash dividend policy. The test result of growth factors is the same as the original test's result, which can't be tested. It proves that growth factor has uncertain influence to make cash dividend policy of Chinese listed companies. Meanwhile, the test result of stability of corporate governance variables is basically the same as the original test's result. Only test result of proportion of independent directors is different from the original test's result. DR original test coefficient is positive, and test result of the stability is negative. It means that proportion of independent directors has influence on making cash dividend policy. That is because it is short time for Chinese listed companies to establish independent directors, and the number of independent directors is small, so independent directors don't play the corresponding role. However, existence of controlling shareholders, state-owned shareholder as the largest shareholder, the size of the board of directors, top-management compensation and listing in other markets are positively correlated with the propensity to pay cash dividends of companies. Tradable share ratio and duality between president of the board of directors and general manager are negatively correlated with the propensity to pay cash dividends of companies. (2) Estimate in the method of Probit. Binary choice models are commonly including Probit and Logit models. In this article, Logit

model is used in the original test, but big sample is adopted for test here, it can be thought that also obeys standard normal distribution so Probit model is established to do stability test in this article. The result shows that the test results of variables of financial factors are the same as original tests' results. GROW also can't be verified, which proves further that growth factor has uncertain influence on making cash dividend policy. The stability tests of governance factors are the same as direct cash dividend distribution. Except DR factor, the test results of the other variables are the same as the original tests' results. DR test result is opposite to the original test result also, which proves further independent director factor has uncertain influence on making cash dividend policy. On the basis of stability test, the conclusion mentioned above in this article is reliable.

## RESEARCH CONCLUSION

In this article, we use binary choice Logit model, make the 1056 A-share Chinese listed companies in Shanghai and Shenzhen stock market from 2001 to 2007 as the sample, and make an empirical analysis on what influence of financial characteristics and corporate governance characteristics have on propensity to pay cash dividends of companies. In the correlation indexes of financial characteristics of companies, company size, cash flow, asset liquidity, profitability, as well as whether paying the cash dividends in the previous year are positively correlated with the propensity to pay cash dividends of companies. Investment opportunity and debt ratio are negatively correlated with the propensity to pay cash dividends. Growth has uncertain influence on the propensity to pay cash dividends. In the corporate governance characteristics, existence of controlling shareholders, state-owned shareholder as the largest shareholder, the size of the board of directors, top-management compensation and listing factors in other markets are positively correlated with the propensity to pay cash dividends of companies. Tradable share ratio and CEO duality factor are negatively correlated with the propensity to pay cash dividends of companies. Independent director factor has uncertain influence on the propensity to pay cash dividends. In general, financial characteristics show that Chinese listed companies have the capability to pay cash dividends, but the corporate governance factors have negative influence on the cash dividend payment of listed companies

According to the empirical results and descriptions of statistic to the data above, it is thought that in the side of financial characteristics, all influencing factors have positive effect on making cash dividend policy of listed companies. The operation situation of listed companies can provide the basis to pay cash dividends. The factors of investment opportunity and debt ratio, which have

negative influence on making cash dividend policy, actually don't play more roles in the actual operation of Chinese listed companies. The averages of IO and DEBT are not big, which means that the general investment opportunity and debt ratio of listed companies are not high. In the other theoretical analysis, Growth factor with negative effect has uncertain influence on the empirical result. Therefore, it can be said that Chinese listed companies have the capability to pay cash dividends. That is to say they can do it. In the side of corporate governance, expect for the equity structure, other factors have inhibitory action on making cash dividend of the listed companies. If listing in other markets, it can promote listed companies to pay cash dividends, but the proportion of Chinese listed companies listing in other markets is only 10%. For instance, the board of directors of listed companies can't play the corresponding roles, so even independent director factor has uncertain influence on making the cash dividend policy. Regarding CEO duality factor having negative effect on making cash dividend policy, 90% of listed companies have CEO duality. Therefore, it shows that Chinese listed companies aren't willing to pay cash dividends. That is to say that they aren't willing to do it.

## REFERENCES

- AI Wenguo, SUN Jie, and ZHANG Jianying. (2004). Study on Dividend Policy of Listed Company in China. *China Soft Science*, 4, 65-68.
- Allen F, and R Michaely. (2002). *Payout Policy*. SSRN Working Paper.
- Baker H, Kent E, Theodore Veit, and Gary E. Powell. (2001). Factors Influencing, Dividend Policy Decisions of NASDAQ Firms. *The Financial Review*, 38, 19-38.
- Baker M, and Wurgler J. (2004a). A Catering Theory of Dividends. *Journal of Finance*, 59, 1125-1165.
- Baker M, and Wurgler J. (2004b). Appearing and Disappearing Dividends: The Link to Catering Incentives. *Journal of Financial Economics*, 73, 271-288.
- Bai Chong-En and Liu Qiao, Joe Lu, Frank M. Song, and Zhang Jun-xi. (2005). An Empirical Study on Chinese Listed Firms' Corporate Governance. *Economic Research Journal*, 2, 81-91.
- Bhattacharya Sudipto. (1979). Imperfect Information, Dividend Policy and the 'Bird in the Hand' Fallacy. *Bell Journal of Economics*, 10, 259-270.
- Black Fischer. (1976). The Dividend Puzzle. *Journal of Portfolio Management*, 2, 5-8.
- Brennan, M. (1970). Taxes, Market Valuation and Corporate Financial Policy. *National Tax Journal*, 23, 417-427.
- Chang. R, Mc Leavey. W, and Rhee. G. (1990). Short-term Abnormal Returns of the Contrarian Strategy in the Japanese Stock Market. *Journal of Business Finance and Accounting*, 22.

- Coles, J. L., D. Daniel, and L. Naveen. (2005). Boards: Does One Size Fit All? *Arizona State University Working Paper*.
- Dang Hong. (2008). Empirical Study on Impacting Factors on Cash Dividends before and after the Reform of Share Rights Splitting. *Accounting Research*, 6, 63-71.
- David J. Denis, and Igor Osobov. (2007). Why Do Firms Pay Dividends? International Evidence on the Determinants of Dividend Policy. *SSRN Working Paper*.
- DeAngelo, H., L. DeAngelo, and R. Stulz. (2004). Dividend Policy, Agency Costs and Earned Equity, *NBER Working Paper*.
- DENG Jianping, and ZENG Yong. (2005). Family-controlled Listed Companies and Dividend Decision-making Research. *Management World*, 7, 139-147.
- Farinha. (2003). Dividend Policy, Corporate Governance and the Managerial Entrenchment Hypothesis: An Empirical Analysis. *Journal of Business Finance & Accounting*, 9, 1173-1209.
- GAO Chaosheng. (2002). To Break the Stock Market Myths. *Financial*, 14, 34-56.
- Graham B, and Bromson H, etc. (1992). The Determinants of Dividend Policy. *Journal of Security*, 6, 33-43.
- Hermalin and Weisbach. (1998). The Determinants of Board Composition. *Rand Journal of Economics*, 19.
- HUANG Haicang. (2006). The Reasonable Analysis of Dividend Distribution policy of Chinese Listed Companies. *Economics Information*, 6, 58-62.
- HUANG Juanjuan, and Shen Yi-feng. (2007). To Whom Do Public Corporate Dividend Policies Cater?—An Empirical Evidence from Chinese Public Corporations. *Accounting Research*, 8, 36-43.
- Jensen, M. C, and Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure. *Journal of Financial Economics*, 3, 305-360.
- Jensen, M. (1993). The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems. *Journal of Finance*, 48, 831-880.
- Khan, T. (2006). Company Dividends and Ownership Structure: Evidence from UK Panel Data. *Economic Journal*, 3, 172-189.
- La Porta, Rafael, Flowrencio Lopez-de-Silanes, Andrei Shleifer, and Robert W. Vishny. (1998). Law and Finance. *Journal of Political Economy*, 106, 1112-1155.
- LAN Faqing. (2001). The Modern Economics Interpretation of Chinese Listed Companies Dividend Distribution. *Management World*, 3, 154-158.
- LI Changqing. (1999). Dividend Policy Status and Causes of Chinese Listed Companies. *China Industrial Economy*, 9, 22-26.
- LI Wanli, and LV Huaili. (2009). Interactions between Shareholders' Balance Mechanism and Level of Listed Companies' Cash Dividends. *Chinese Journal of Management*, 1, 84-90.
- Lintner John. (1956). Distribution of Incomes of Corporations among Dividends, Retained Earnings and Taxes. *American Economics Review*, 46, 97-113.
- Lipton M, and Lorsch J. (1992). A Modest Proposal for Improved Corporate Governance. *Business Lawyer*, 48, 97-113.
- LIU Xing, LI Yuxiang, and YANG Xiutai. (1997). Chinese Stock Owned Company's Dividend Decision. *Journal of Industrial Engineering and Engineering Management*, 3, 19-24.
- LUO Hong. (2008). Study on Dividend Policies and Corporate Governance of China's Listed Companies. *Southwest University of Finance and Economics Publishing House*.
- LV Changjiang, and HAN Huibo. (2001). The Study of the Propensity to Pay Dividends. *Economic Science*, 6, 45-52.
- LV Changjiang, and WANG Kemin. (1999). The Empirical Analysis of Dividend Policy of Listed Companies. *Economic Research Journal*, 12, 31-39.
- LV Changjiang, and WANG Kemin. (2002). Capital Structure of Listed Companies, Dividend and Management Mechanism of Interaction between the Proportion of Equity. *Accounting Research*, 3, 39-48.
- Mancinelli, L, and Ozkan, A. (2006). Ownership Structure and Dividend Policy: Evidence from Italian Firms. *European Journal of Finance*, 4, 265-282.
- Michael J, Brennan, and anjan V Thakor. (1990). Shareholders Preferences and Dividend Policy. *Journal of Finance*, 9.
- Miller M, and F. Modigliani. (1961). Dividend Policy, Growth, and the Valuation of Shares. *Journal of Business*, 34, 411-433.
- Molz, R. (1988). Managerial Domination of Boards of Directors and Financial Performance. *Journal of Business Research*, 16.
- M. Schellenger, David Wood, and Ahmad Tashakori. (1989). Board of Director Composition, Shareholder Wealth, and Dividend Policy. *Journal of Management*, 15, 457-467.
- Rozeff, M. (1982). Growth, Beta and Agency Costs as Determinants of Dividend Payout Ratios. *Journal of Financial Research*, 4, 249-259.
- Shleifer A, and Vishny R. (1986). Large Shareholders and Corporate Control. *Journal of Political Economy*, 94, 461-488.
- Smith Watts. (1992). The Investment Opportunity Set and Corporate Financing, Dividend, and Compensation Policies. *Journal of Financial Economics*, 32, 263-292.
- SU Liyong, and OUYANG Lingnan. (2009). Dividend, SEO and the Allocation Efficiency of Equity Capital in Stock Market. *Securities Market Herald*, 5, 68-77.
- TANG Guoqiong, and ZOU Hong. (2005). Positive Research on the Influential Factors of the Cash Dividend Policy. *Finance and Economics*, 2, 147-153.
- TANG Guozheng. (2005). The Impact of the Dual structure to the Company's Equity Allocation Methods. *Journal of Finance*, 5, 38-50.
- Von Eije, H., and W. Megginson. (2006). Dividend Policy in the European Union. *SSRN Working Paper*.
- WANG Huacheng, LI Chunling, and LU Chuang. (2007). A Case Study of the Impact of Controlling Shareholders on the Listed companies' Cash Dividend Policies. *Management World*, 1, 122-136.

- WEI Gang. (1998). Empirical Analysis of Dividend Allocation Policy in China. *Economic Research Journal*, 6, 30-36.
- WEI Gang, and JIANG hongyi. (2001). The Questionnaire Survey of Chinese Listed Companies Dividend Distribution. *Economic Science*, 4, 79-87.
- XIANG Yue, and FENG Jian. (2008). The Relationship between Characters of the Board and Firm Operating Performance. *Finance & Economics*, 11, 91-99.
- XIE Jun. (2006). Dividend Policy, the Largest Shareholder and Firm Growth: Free Cash Flow vs. Tunneling. *Accounting Research*, 4, 51-57.
- XIE Jun. (2006). Dividend Policy: Institution and Technology Explanation—Analysis Based on Firm Growth. *Economic Management*, 8, 66-72.
- XIE Jun. (2008). Cash Dividend Policy, Hollowed out by Major Shareholders and the Allocation of Resources. *Economic Review*, 6, 62-70.
- YAN Daying. (2004). The Empirical Study of the Impact to Dividend Policy of Controlling Shareholders Values of Listed Companies in China. *Nankai Economic Studies*, 6, 94-100.
- YANG Hanming. (2008). Life Cycle, Dividends Paid and Enterprise Value. *Management World*, 4, 181-182.
- YANG Shu'e, Wang Yong, and Bai Geping. (2000). Influencing Factor Empirical Analyses on the Dividend Allocation Policy in China. *Accounting Research*, 2, 31- 34.
- YI Yanxin, KE Dagang, and Wang Pinxin. (2008). Motivations of Paying out Dividends and Dividend Decisions. *Economic Management*, 4, 45-54.
- YUAN Dejun, and CHEN Tiejun. (2001). Dividend Policy Theory and Practice of Foreign listed companies. *Economics Information*, 8, 64-67.
- ZHOU Xiaosu, and ZHU Desheng. (2006). Ownership Structure, Financial Performance and Cash Dividends. *Contemporary Finance & Economics*, 5, 108-115.