“Determinants of dividend policy”

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ARTICLE INFO	Asma Salman (2019). Determinants of dividend policy. *Investment Management and Financial Innovations*, *16*(1), 167-177. doi:10.21511/imfi.16(1).2019.13
DOI	http://dx.doi.org/10.21511/imfi.16(1).2019.13
RELEASED ON	Tuesday, 05 March 2019
RECEIVED ON	Friday, 07 December 2018
ACCEPTED ON	Friday, 22 February 2019

JOURNAL	"Investment Management and Financial Innovations"
ISSN PRINT	1810-4967
ISSN ONLINE	1812-9358
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”

BUSINESS PERSPECTIVES

LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10, Sumy, 40022, Ukraine

www.businessperspectives.org

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DETERMINANTS OF DIVIDEND POLICY

Abstract

Pakistan's capital market and economy have significant features for examining the dynamics of the dividend policy. The agency conflicts between the management and the investors of the firms are main barriers to the success of the firm. The shareholder is generally taking away all the rights and similarly has a control on the decision concerning the dividend policy. The dividends are conveying better information than any other source regarding the firm's prospects. The aim of this research is to identify and analyze the influence of shareholder preference and dividend signaling on the dividend policy of the corporations in Pakistan. The respective study presents the analysis of top financial management beliefs by taking eighty listed corporations on Pakistani stock exchanges during 2017–2018. Pearson correlation and multiple regressions are applied on responses to explore whether there is an influence regarding the shareholder preferences and the signaling mechanism on the dividend policy of the listed firms in Pakistan. Through statistical techniques the findings proved that shareholder preferences and dividend signaling have a positive and significant relationship with the dividend policy of listed corporations. Dividend policy is the response of investor preferences and signaling aspect of dividends.

Received on: 7th of December, 2018
Accepted on: 22nd of February, 2019

Keywords capital market, dividends, corporate finance

JEL Classification F6, G2, G3

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INTRODUCTION

Finance is the life blood of all forms of business and is based on the management of money and other financial resources in such a way that provides an optimal level of output and survival to the businesses. There are mainly three forms of business that include sole proprietorship, partnerships, and companies. Companies are separate legal entities from its members and can perform any task as any other person can do, because it's an artificial person. Corporations are the most important part of the business world and economically contributing more than any other business in the corporate world.

Mainly there are two types of companies and we have further categorization, but still mainly there are two, which include public limited companies and private companies, private companies are not listed on stock exchange. More shares can be issued, but limitations remain on the sale of shares, as well as the existing shareholders should have a mutual consent. There shares are not offered to the public, but the case is reverse for the public companies as they are listed on stock exchange and shares are offered to the public in the stock market and anyone could buy that shares.

There are many ways to get financial resources to run the business that include most important retained earnings, debt and equity. Retained earnings are the economical source of finance that can be invested in firms and only available to the firms that are already in existence. The profit can be used by the owners and can be reinvested back in

http://dx.doi.org/10.21511/imfi.16(1).2019.13

the firms, it depends on the decision of board of directors that what they in actual want, because the new born businesses needed finance to be invested to grow, being profitable and efficient enough to compete with the big giant firms. Since it is the most economical source of finance, but still there is a cost associated with it. Next comes debt financing, debt is the amount that has been taken from the people outside the corporation with a promise to pay back actual amount of loan at a specified period and the interest as a return to lenders as per the decided terms, may or may not be backed by collateral. It is a costly source of finance as compared to retained earnings. Company must generate enough cash flow to repay amount to the lenders.

Third most important and most widely used form of finance by the firm is the equity. A share is a part of ownership of the company. The amount taken under the head of equity seems to be the permanent payment to the company until its liquidation. The equity holders are aggressive in nature and can bear the risk, because they are rewarded in such a way as well. It does not need to have collateral against it, because at the end all the assets of the companies lie with the investors of that firm. An equity holder bears the extreme risk, but enjoys a high return in the form of ownership and dividend as well.

Debt and equity financing should not be substitutes for each other, because each of them has its pros and cons that could be favorable for one company, but not be helpful for other firm because of different circumstances. As it is mentioned earlier that equity holders need to be rewarded for their investments and bearing a risk that is dividend. Dividend is a per-share payment designed by a company's board of directors to be distributed among shareholders. The investors that hold preferred shares are generally paid fixed amount of return, but for the common stock holders, the amount of return varies according to the circumstances. The companies can pay dividend once a year or can give returns to the investors within a year before the finalization of accounts. The companies can choose to give dividend in the form of cash or stock according to the decision of board of directors. The directors can satisfy the shareholders either by paying direct cash to the investors on each share investment and stock dividend by issuing bonus share for the investors. Stock dividends are being provided generally when the company is not having enough cash to give dividend to its investors.

Policy is a process for making any decision so most of the firm's acts are based on some planning and policies and same is the case with the payment of dividends to the shareholders. The dividend policies are mainly divided into two categories: managed dividend policy and residual dividend policy. In the first, companies have set their target payout ratio to meet the standards, but in the second one, companies firstly meet all the expenditure and investment requirements, then pay dividends to the investors. The behavior of dividend policy is a cause of concern in the corporate world. As it is a matter of significant importance, a number of studies has been conducted to know the factors that influence dividend policy, but the matter is still unresolved, because every stock market and industry have different ways to deal with different circumstances. The decisions that are taken with respect to the dividend policy of the firms are very important, because the followed set of guidelines ultimately affects the firms' value and the future performance of the firms as well.

Corporate dividend policy explained by linter is being summarized by Marsh and Merton (1987), which highlighted that the managers do not try to make such dividend payments (mostly increase) which they thought to change or reverse in the future due to any reason. The dividend payments made today would affect profitability level of dividend, but on the change in the existing payments of dividends to the investors. Firms follow the longer dividend payout ratio so that they had no way to invest the access cash that would be available in that year. The dividend payout policy is affected by many factors, but this paper focuses on the investors' perceptions that is regarding the payment of dividends and the signaling mechanism of dividends. For this there are different theories that provide a support to these factors. First is "bird in the hand" theory that is basically following the assumption that today the investors prefer dividend payments as compared to income retained by the company and invest in

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more profitable projects, because they would be less risky than potential future capital gains and on the basis of this reason the investors gave more importance to those firms that gives them returns in form of high payouts and rated in a very good manner. If the firms would better rate, they will have easy access to the external finance like loans from credit institutions. So, it is concluded that the firms that made high dividend payments at the end enjoy better firms' value (Gordon, 1963). Investors' perception regarding the firms is generally based on the payments of dividends so if firm is paying the dividend to its investors, it gives sound financial picture of the firm and vice versa, prospects of the firm also an important factor because if the firm has sustainable expected future cash flows, the firm will relax while paying to its investors. Clientele effect is another aspect of investor's preference that with different preferred dividend policies some want less payout, and some want high payouts. Firms past dividend policy determine its current clientele of investors. The main barrier in changing any specific dividend policy of the firm seemed to be clientele effects. It's been agreed by Litzenberger and Ramasawny (1979) that clientele effects matter to those firms that are interested to attract different investors at a time.

1. REVIEW OF LITERATURE

According to Baker and Smith (2006), if the firm had remained with the cash after meeting all the expenses for the year, then the point for consideration was that the cash is for the shareholders and firms mainly focused on the maximization of shareholders' wealth. It's quite difficult for the firms that they follow strictly one dividend policy so a combination of two dividend policies can be used. He had explained two dividend policies: firstly, the managed dividend policy and, secondly, the residual dividend policy. In the first one, the managers want a specific pattern of dividend payouts over the years using long-term target payout ratio and in the second one, the management firstly pays out all its expenditures and after that pays the dividends. But the company that wants to pay a dividend should use a combination of both policies to increase the shareholders' wealth with a better image of company's financial position.

Kania and Bacon (2005) had analyzed 542 firms and after applying the ordinary least squares (OLS) regression on their study sample, the results showed that the dividends were negatively correlated with the institutional investor's perception. Similarly, the dividend payout and insider ownership also had a negative correlation. The change in dividends, either positive or negative, affects the goodwill and reputation of the firm. The dividends paid lead to provide numerous benefits to companies.

This study concluded that at the time of distribution of dividends, if the company had alternative ways to give reward to its investors, then individual shareholders with small investment in the firm would prefer dividend in cash, whether tax had been charged or not, but that was preferred just for the small dividend payments. But when the time came for shareholders' preference for the larger amount of dividend, then it had analyzed that share repurchase had been given the importance by the investors, then cash dividends (Brennan & Thakor, 1990).

According to Gosh and Woolridge (1989), the analysis of all the firms on the NYSE (New York Stock Exchange) and the ASE (American Stock Exchange) showed a decrease in their dividends or even lack of any dividend payments in the specified period (1962–1984). It thus concluded that the investors generally prefer cash dividends as compared to the reinvestment of firm's income in long-term investment projects that seem to be uncertain. So the investors do not prefer the capital gain in riskier projects as compared to cash returns.

In this research, the authors supported the model that dividends were paid to secure the rights of the shareholders of companies. It had been analyzed that minority shareholders force the management to pay them for their investment and, as a result, dividends were paid, so the minority shareholder's rights was a leader that provides a balance between the gain to the inside and outside shareholders as well and it had also supported them to get the dividends from the firms that were resistant in paying them (La Porta et al., 2000).

Myers (2000) had analyzed by developing two models that include firstly "Partnership Model" based on assumption that the outside equity holders when got divided, then they would not take away their investments until next period. The second model was "Corporation Model", if the company would pay enough dividends that lead to give security of future dividends, then the company could survive. The results showed that the dividend payment was the source that provides a base to the management to continue their operations in the firms.

Rozeff (1982) had analyzed the sample of 1,000 U.S. firms and concluded that companies paid higher dividends if the majority shareholders were from the public and the management held a smaller number of shares as compared to public just to attract the public interest by meeting their preferences and by giving them inside information regarding firm. They assumed that if the major investment in the equity had been done by the inside shareholders, then it led to less declaration of dividend, but the case seemed to be reverse if the major equity contribution was done by outside shareholders of the firm and through public.

According to Bae et al. (2012), there were two main factors that influence the dividend decision of the firms in different cultures, that's the long-term orientation and reduction in the risk of uncertainty. They used the data of 33 countries by including 112,000 firms. It had been analyzed that the countries where the investors were supported by the rules and regulations, and full protection had been provided to the shareholders, the companies used to pay more dividends because of the fact the investors' preferences were given more importance than managers' preferences for retention of the firm's income. Similarly, when the investors preferred long-term planning and investment, then the dividend payments were generally less. So the cultural differences had also played an important role.

In this study, the author had taken the dividend paying for them during the period from 1989 to 1996 taking 31,431 observations into consideration for the respective research. After the application of regression analysis, it had been concluded that the institutional stockholders that were subjected to lower tax deductions used to prefer the stocks that usually had less dividend payout as compared to the stocks that make high returns in the forms of dividends. Institutional investors were having a focus on the firms that were paying less or no dividends, but the individual investors were having a pin focus on the firms that were paying dividend despite of the fact that they were subjected to the higher tax deductions on that income. The discussed results are contrary to the hypothesis that the higher tax pier investors prefer lower dividends (Jain, 2007).

The management of companies usually talks about signaling aspect of dividend as important factor at the time of its declaration for the owners. It had also been analyzed by many researchers that dividend announcements had an impact on the firm stock values, so the dividends carry secret information to the public in the stock market. Consistent with this fact, Bhattacharya in 1979 had researched on the hypothesis that shareholders which were not in the firms had no complete information regarding the firm's earnings and they had paid higher tax rate on cash dividend than on capital gain.

DeAngelo et al. (1992) had worked on the assumption that the current earning and the dividends were subjected to be predictor of future earnings of the firms. If the respective assumption had been followed, then dividends had to be preferred in this regard when the firm's income was unusual, but it's just up till special context. After the application of ordinary least square regression, it had been analyzed that dividends seemed to be better substitute to predict by the prospects of the firm in comparison to the income. These results were gained by taking into consideration 176 firms as the last sample and 440 firms in these comparisons.

John and Williams (1985) had also provided a strong support to the signaling mechanism of dividends between the management and stockholders of the corporations. He worked on the aspect that investors within companies have been better information and declared high dividends. In such a situation, management used dividends as a source to provide an inside information regarding the positive aspects of the firm that it had enough cash to fulfill its obligations and so on. If there had been any information regarding the firm's negative performance that had not been

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declared to the shareholders until it's required under any regulation. Benartzi et al. (1997) worked on the information content of dividend regarding prospects of earnings, but unlike others they found a little support to this statement. It has also found that the amount of dividend paid to the investors does not depict the upcoming increase in the income of the firms. So, it was concluded that the firms were paying dividend to throw a signal in the market, yet the market had showed less reaction to that.

Travios et al. (2001) had examined the firms listed on the Cyprus stock exchange. They had examined the firm's reaction by developing a "market model" to know the reaction in the stock market regarding increase in cash or stock dividends. The results supported that there was a positive impact once there was an increase in the cash dividends. Similarly, there was a positive and significant abnormal return once an increase in the cash dividends and stock dividends was announced. Overall, the results supported signaling mechanism of dividends in the emerging stock markets.

This research has focused on almost all the points regarding the factors influencing the dividend policy, dividends affect the firm's price, signaling mechanism and tax preference theory. Only 121 firms of Oslo stock exchange had been taken as a sample and after independent sample *t*-test had been applied for the analysis of the gathered information. The survey of the Norwegian managers proved that dividends act as a signaling mechanism for the firm and the investors prefer cash dividends due to the uncertainty in the market (Baker et al., 2006).

Signaling theory was made on the assumption that dividends could convey information about income level of firms in the current year and in the upcoming years. Kale and Noe (1990) had developed two period model after a cross-section analysis, the analysis showed the dividends acting as a signal relating to the stability of the firm's future cash flows. The dividend and signaling mechanism had a positive relationship.

According to Baker et al. (2007), 291 firms had been selected that were listed on the Toronto stock exchange that had paid dividends for at least one time between 2001 and 2006. Chi-square test had been applied and the results agreed that investors prefer cash dividend because of the uncertainty in the stock market. Most of the managers in the financial firms had favored that dividend changes how signaling affects as compared to the non-financial managers. Financial institutions normally pay regular dividends so that it gives a positive signal about the firm's profitability now and for upcoming time as well.

Hadi (2009) had analyzed whether the accounting numbers in the financial books carry information to the stock market. For the respective free search query, the author has taken 15 subjects that were listed on the Jordanian stock exchange from 2000 to 2003. It showed that the accounting numbers do carry information to the security market that leads to help the investors.

Ryan et al. (2000) concluded by analyzing the NASDAQ firms regarding the factor that dividends carry information regarding firms in stock market by taking into consideration the fact regarding payment and non-payment of the dividends. Cross-section least square regression had been applied. The results support the hypothesis that dividends convey information to the investors. A two-day market model prediction error was used by the researchers to calculate the abnormal returns on stock. The result showed a strong positive relationship between signaling arguments for NASDAQ firms.

Dong et al. (2005) conducted research regarding the issue why the investors earn dividends as the return on the investment in firms. They had taken 2,723 subjects for analysis of the respective questionnaire that was distributed to a Dutch panel. Independent sample *t*-test had been applied on the respective responses. Both the whole sample and all the subsamples had justified the conclusion that investors want dividends.

Valipor and Rostamility (2009) conducted a research mainly focusing on the aspects regarding asymmetric information having impact on the dividend policy. They assumed that in the emerging stock exchange, mostly the information is not considered true as compared to stock markets in the developed countries, so the signaling mechanism seemed to be an important factor. The sample size was 111 firms that were listed on Tehran stock exchange from 2003 to 2007. They had applied multi regression analysis on the gathered data and the results showed a significant negative effect. Considering other variables, the dividend policy had a significant relationship with stock returns, but not market to book value and firm size.

According to Brave et al. (2005), many factors were important that could affect the payout policy and the reproaches decision of the firms. Financial executives from 384 public and private firms were surveyed. The dividends seemed to be attractive with the perspective of individual investors. They found a strong evidence regarding belief of financial executives for a strong preference for dividends. The survey evidence indicated that almost half of executives believed that paying dividends is very important in attracting retail investors to their stock. Some supportive response from overall sample was gathered regarding the query of firm to pay dividend to attract investors with respect to the "Prudent man".

There are some of the researches that do not fully support the statement that the dividends carry information and influence dividend policy. According to Easterbrook (1994), high dividend payments may have had different ideas regarding the companies whether they had paid high dividends just because of the reason that less investment opportunities or if how to lessen the dividends, then maybe it's for the sake of future growth of the firms the investors firstly had to differentiate among such firms, then can easily interpret the increase or decrease of dividends. Modigliani and Miller (1961) had argued with some assumptions in their research that, in a perfect world, the declaration of dividend had no impact on firms, so the dividend payout policy had not been affected by any such information.

2. METHODOLOGY

This study comes under the head of "hypotheses testing" and co-relational type of study as it focuses on the relationship of shareholder preferences and dividend signaling (also known as signaling mechanism) with dividend policy of listed firms. SPSS is used to analyze the data.

2.1. Instrument

To know the perception of financial managers, a survey was conducted exploring the significant factors that influence the dividend policy or dividend payout decision of the corporations. Adopted questionnaires are used for this study from the research of Baker et al. (2006) "How Norwegian managers view dividend policy". The first part of the instrument is regarding the dividend policy, which is measured by the firms in making their dividend policies, because policy is a process to decide. The second part consists of six questions covering the aspect that is shareholder preferences as an independent variable and last part of the instrument is related to the dividend signaling including five questions also taken as independent variable. Five-point Likert scale is used in the survey instrument.

2.2. Population and sample

All the "top financial executives" of the listed corporations in Pakistan that are related to the dividend policy are deemed to be population of this research. The sample size consisted of eighty finance executives of the corporations that are listed on stock exchanges in Pakistan. The questionnaires were mailed during 2017–2018 to the head offices of the companies. Only sixty-one companies' executives have responded for respective questionnaire, so the response rate is 76%. The type of sampling techniques that are being followed comes under non-probability sampling. In this research, convenience sampling technique is being followed.

2.3. Hypotheses

H0: *The shareholder preferences and dividend signaling have no relationship with company's dividend policy (dividend setting process).*

H1: *The shareholder preferences and dividend signaling have a significant relationship with company's dividend policy (dividend setting process).*

http://dx.doi.org/10.21511/imfi.16(1).2019.13

3. DATA ANALYSIS AND DISCUSSION OF RESULTS

3.1. Analysis

Reliability test

Table 1. Reliability check

Cronbach's Alpha	Number of items
0.747	17

To measure the relationship among the identified variables, first reliability of all the variables has been checked by finding Cronbach's Alpha. SPSS is being used for the analysis of the responses gathered through the defined subjects. The value of Cronbach's Alpha is 0.747 which is greater than 0.6 showing that the instrument used in respective study is reliable and has a consistency in the responses as used by previous researches, so this shows that the used instrument is reliable and can be used in further researches.

Data normality check

Table 2. Normality check

Variables	Skewness	Kurtosis
Dividend policy (dividend setting process)	0.626	–0.062
Shareholder preferences	0.278	–0.619
Dividend signaling	0.437	–0.051

The values of the skewness and kurtosis for dependent, as well as independent variables, are between the defined standards that are +1 and –1 in Table 2, which shows that data are normally distributed which lead to the application of parametric test to check the relationship of variables, so Pearson correlation and multiple regression have been applied on the responses of financial executives of the listed corporations.

Correlation

Table 3. Correlations of dividend policy, shareholder preferences and dividend signaling

Variables	Correlation	Dividend policy (dividend setting process)	Shareholder preferences	Dividend signaling
Dividend policy (dividend setting process)	Pearson correlation	1	–	–
	Sig. (2-talied)	–	–	–
	N	–	–	–
Shareholder preferences	Pearson correlation	0.548**	1	–
	Sig. (2-talied)	0.001	–	–
	N	61	–	–
Dividend signaling	Pearson correlation	0.556**	0.319*	1
	Sig. (2-talied)	0.001	0.080	–
	N	61	61	–

Notes: ** Correlation is significant at the 0.01 level (2-tailed), * correlation is significant at 0.05 level (2-tailed).

Table 3 shows a positive relationship between the tested variables and signifies that change in one variable leads to a change in the other variable. The changes follow the same trend whether it is an increasing movement or vice versa. A moderate positive relationship between dividend policy and shareholder preferences is witnessed with a value of 0.548 which infers that increase in shareholder preference also leads to an increase in the dividend (payout) policy and vice versa. There is also a moderate positive relationship between dividend policy of the firm and dividend signaling with a value of 0.556. It also follows the same behavior as the above, that increase or decrease of one variable leads to the change in the second one in the same manner.

Regression

Table 4. Model summary[b]

Model	Adjusted *R*-square	Durbin-Watson	*F*	Sig.
1	0.423	1.842	11.999	0.000[a]

Notes: a Predictors: constant, shareholder preferences, dividend signaling, b dependent variable: dividend policy.

The 0.423 value of adjusted *R*-square expresses the change in independent variables. It means that the shareholder preferences and dividend signaling cause 42.3% change in the dividend policy, while the rest of change is due to other internal or external factors. The value of Durbin-Watson is 1.842 which is laying between 1 and 3. The 0.000 value of "F statistics" shows the reliability in the overall model.

Table 5. Coefficient[a]

Model		Standardized coefficient beta	*t*
1	Constant	–	0.397
	Shareholder preferences	0.412	2.818**
	Dividend signaling	0.424	2.897**

Notes: a Dependent variable: dividend policy, ** significant at 0.01 level.

Table 5 shows the relationship among dependent and independent variables. The *t*-values of both independent variables are greater than 2 and the significant values are below 0.01. The same holds true for the dependent variable. The *t*-value of shareholder preferences is 2.818 and the significant value is 0.009, thus showing a significant positive relationship between shareholder preferences and dividend policy. The *t*-value of dividend signaling is 2.897 and significant value is 0.007, thus showing a significant positive relationship exists between dividend policy and dividend signaling. The relationship of dividend signaling is slightly more significant than that of the shareholder preferences with the dividend policy. The beta value 0.412 of shareholder preference explains that if its value is increased by 1, it leads to a 0.412 increase in the value of dividend policy and same is the case with beta value of dividend signaling that is 0.424.

4. DISCUSSION

The results of the study show that there are significant positive relationships between dividend policy, and shareholder preferences and dividend signaling, thus showing consistency with the hypothesis stated above. The results are in accordance with the previous researches, e.g. Ahmed and Javed (2009) as they favored the aspect that ownership has a significant positive relationship with the dividend yield. As this research is related to Pakistani stock exchanges that is emerging one and not as developed so the companies do cater the preferences of shareholders as to compete with the other firms in the same industry and to restrain clients from selling their stocks. If a selling trend in stock market is being observed regarding any security, then it generally leads to decrease in the value of stock which ultimately leads to depict downward performance of the company. The same holds true for results in studies conducted by Ghosh and Wooldridge (1989), Baker et al. (2006) and Baker et al. (2009). The same was also supported by Kouki and Guizani (2009) that dividend policy is the response for the preference of shareholders that leads to increase in the dividend distributions by depicting a moderate positive relationship between them. It's been also favored by Rozeff (1982) that dividend policy and shareholder demand for high dividend payouts have a positive correlation. The significant relationship of dividend policy and signaling mechanism is also being supported by number of studies by Baker and Powell (1999), Baker et al. (2007), Baker et al. (2006), Brave et al. (2004) and Ryan et al. (2001).

The results of this research are also in accordance with the study conducted by DeAngelo et al. (1992) that dividends and signaling mechanism has a significant relationship with each other. Signaling aspects of dividends in the emerging stock market is significant for the dividend policy of the firms. Travlos et al. (2015) said that if there is an increase in the dividends it shows positive signal with respect to firms' performance and on its stock. Accommodative evidence matched with the results with the perspective of strong support to the signaling theory of dividends by Maditinos et al. (2007). In the real world there are many other factors to be considered so the results did not get the support from theorem of Modigliani and Miller (1961) and the research of Valipour, Rostami, and Salehi (2009) who declared that dividends has no impact on firms' value.

Overall results support that the shareholder preferences (for dividends) and the signaling effect of the dividends are the important factor of dividend policy and have a meaningful relationship with each other. In the emerging stock markets like Pakistan with the shareholders

http://dx.doi.org/10.21511/imfi.16(1).2019.13

or not having much protection as concluded by Ahmed and Javed (2009) so the managers are used to fulfill their preferences because at the end of the day they can change whole management of companies or either can devalue stock by large sale of stock. Developing countries where the information seems to be less reliable that are provided by the management are there through notes or through press release, the change in dividends convey information towards investors regarding the availability or non-availability of future cash flows.

CONCLUSION

A dividend puzzle is being tried to be resolved in this paper by conducting a survey on beliefs of top management regarding the impact of shareholder preferences for cash dividend and signaling mechanism on the dividend payout policy of the firms. Management of 80 firms is being surveyed, from which 61 responses have been collected through mailed questionnaire. The data are normally distributed, therefore the Spearman correlation and multiple regression tests are applied on the responses. The results showed that there is a significant positive relationship between dependent and independent variables. As the shareholders are the ultimate owners of the firms so their satisfaction for the achievement of their records in the form of dividend can lead to give a better position of the firm in the market. In an emerging market like Pakistani stock exchange where the information provided by the company through other means are seems to less reliable, so the dividends provide a better picture regarding the financial position of the firms. So, the dividends increase leads to signal regarding the guarantee for better prospects of the firms and same is the case with the decrease in the dividends. The change in dividends on any side leads to convey the information regarding the firms and ultimately it affects firms' value in the form of firm's stock. So, it's being concluded that shareholder preferences and signaling mechanism are important factors that influence the dividend policy of the firms.

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APPENDIX

Questionnaire

This questionnaire is used purely for academic purpose. This includes the information regarding the "**Determinant of Dividend Policy".** The gathered information of respective company and respondents will be held confidential.

- Filled by:
  i. Chief Financial officer
  ii. Top financial manager
- Name of company: ....
- Listed on stock exchange (name): ....

S no.	Questions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
	A. Dividend policy (dividend setting process)					
1	A firm should strive to maintain an uninterrupted record of dividend payments					
2	A firm should avoid increasing its regular dividend if it expects to reverse the dividend decision in a year or so					
3	A firm should view cash dividends as residual after funding desired investments from earnings					
4	A firm should change dividends based on sustainable shifts in earnings					
5	A firm should set a target dividend payout ratio and periodically adjust its current payout toward the target					
6	A firm should have a dividend policy similar to other listed firms in the same industry					
	B. Shareholder preferences					
1	Investors prefer cash to stock dividends					
2	A firm should be responsive to the dividend preferences of its shareholders					
3	Majority shareholders have different dividend preferences than minority shareholders					
4	Investors prefer cash dividends today to uncertain future price appreciation					
5	If investors perceive the stock market as displaying unsatisfactory transparency and disclosure practices, the dividend should be higher to attract investors and sustain prices					
6	Inside shareholders have different dividend preferences than outside shareholders					
	C. Dividends and signaling					
1	A firm should adequately disclose to investors its reasons for changing its dividends					
2	Investors generally regard dividend changes as signals about a firm's prospects					
3	Dividend increases are ambiguous because they can suggest either future growth or a lack of investment opportunities					
4	A firm's stock price generally rises when the firm unexpectedly increases its dividend					
5	Investors generally use dividend announcements as information to help assess a firm's stock value					

Comments: ....
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