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Dividend Policy Trend: A Comprehensive Study on the Listed Industrial Sector of Bangladesh

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Abstract: The financial decision is rotated around the dividend decision. The objective is to identify the dividend pattern and the management' views of dividend policy for revealing the present scenario of dividend practices in the capital market of Bangladesh. The parametric test, non-parametric test and percentile are used for inferring the result. In the manufacturing sector, the miscellaneous sector provides the highest payout. The DPS, EPS, MPS of the large size firm is better than small and medium size firms. The payout of the older firms is more than the newly listed firms. The highest payouts are in medium leveraged firm, low risk's firm, medium PE ratio's firm. The survey results reveal that the both shareholders and companies prefer the cash dividend most because of majority shareholders' expectation. The most of the companies pay cash dividend with stable payout. The majority companies follow increasing trend in dividend payment but there is no satisfactory research to justify the investors' preference. The capital market related stakeholders should follow these findings.

JEL Code: G35

Keywords: Dividend, EPS, Signaling Theory, MM model.

Introduction

The financial decision is rotated around the dividend decision. So, to identify the dividend practices in the corporate sector in Bangladesh is vital objective of the study. The dividend pattern of listed companies and the management' practices of dividend policy are described for revealing the present scenario of dividend in the capital market of Bangladesh. This study shows the pattern of dividend payout with the different characteristics (category of company, age of the company, size, leverage, risk, PE etc). The dividend practices of the management are depicted with the questionnaire survey.

The Corporations earn profits but they do not distribute all of it. The part of profit is ploughed back or held back as retained earnings. The part of the profit is distributed to the shareholders as dividend. The ratio of the actual distribution or dividend and the total distributable profits is called dividend payout ratio. How much of its profits should a corporation distribute? There are several considerations that are applied in answering this question. Hence, the companies have to frame work on a definitive policy of dividend payout ratio. Of course, no corporate

management can afford to a fixed dividend payout ratio year after year. However, management has to decide its policy on its broad. The dividend policy is the policy used by a company to decide how much it will pay out to shareholders. From the share valuation model, the value of a share depends very much on the amount of dividend distributed to shareholders. The dividends are usually distributed in the form of cash or share. When a company distributes a cash dividend, it must have sufficient cash to do so. This creates a cash flow issue. This is a concern to the management as insufficient cash may mean the company is unable to distribute a dividend.

This paper shows the details about the dividend scenarios in Bangladesh based on the secondary data (market data and company data) and survey from management.

1. Literature Review

Out of the plethora of literatures available for the present area of study, the following literatures are reviewed having primary focus on finding out patterns in and issues influencing dividend payment. Dhameja (1976) showed that there is no statistically significant relationship between dividend payout and industry classification, size. The Growth is found to be significantly and inversely related to dividend payout. As regards dividend rates controlling for bonus and rights issues, it is related directly and significantly to industry classification and growth, and mildly related to size. Bhat & Pandey (1994) showed that payment of dividend depends largely upon current and expected earnings as well as on the pattern of past dividends, and liquidity is not a matter of consideration in dividend policy. Collins, Saxena, & Wansley (1996) studied the role of insiders in determination of dividend policy of a firm. Study results indicate that payout ratio is negatively related to firm's past and future expected growth rate of earnings, its level of systematic risk and its insider holdings. They also found that regulatory status plays more important role in the determination of strength of association between insider holding and payout ratio in the case of utilities than in the case of financial firms. Mohanty (1999) showed that regular dividend payments have been the feature in almost all the selected companies though there has been a gradual decline in the proportion of dividend payments to the available earnings for distribution. He also found that dividend rates are more inflated in comparison to the real effective rates of dividend as represented by dividend yield. In the matter of stability in dividend payments, he found high stability in terms of dividend yields but not so much in terms of dividend rates and dividend payouts. La Porta, Lopez - de - Silanes, Shleifer, & Vishny (2000) hold that firms in countries with better investor protection make higher dividend payouts than do the firms in countries with lower investor protection. Moreover, in countries with more legal protection, high growth firms have lower payout ratios. This finding supports the outcome agency model where investors use their legal power to force dividends when growth prospects are low. Thus, their

findings indicate that without enforcement of management there is not a strong incentive to 'convey its quality' through payout policy. There is also no evidence that in countries with low investor protection, management will voluntarily commit itself to payout higher dividends and to be monitored more frequently by the market. Again, Gugler & Yurtoglu (2003) observed that state-controlled firms are characterized by dividend smoothening, very high payout and strong reluctance to cut dividends while family-controlled firms are not subject to dividend smoothening, have a low payout and are least reluctant to cut dividends. According to him, this finding applies more to firms having good growth prospects (positive R&D spending). But, in case of firms with low investment opportunities (no R&D spending), target payout ratio tends to be much higher irrespective of who controls the corporation (state control or family control). DeAngelo, DeAngelo, & Skinner (2004) observed that during the period of their study (1978-2000) nominal dividends paid by the companies in US increased manifold, even real dividends doubled during this period. This aggregate dividend increase is even in the face of radical decline in the number of dividend-payers. They found that both dividend and earnings concentration have increased substantially from the already high level. Brav, Graham, Harvey, & Michaely (2005) observed that dividend level is a priority at par with the investment decisions, and increase in dividend is considered only after investment and liquidity needs are met. They opined that managers express strong desire to avoid dividend cuts except in extraordinary circumstances. They also pointed out that sustainable increase in earnings and demand by institutional investors are the two root causes for the non-payers to initiate dividend payment. They found little support for signaling theories. They also found no evidence that managers use payout policy to attract particular investment clientele. Their survey also suggests that taxes are not the first-order important factor in the determination of payout policy but they are important at the margin of some firms (a very small proportion of dividend initiating firms). Parua & Gupta (2009) identified 'current year's earnings', 'patterns of past dividends', 'availability of cash' and 'expected future earnings' as major determinants of dividend policy. While, factors like 'capital expenditure requirements', 'impact on share prices', 'achieving target payouts', 'restrictions imposed by lenders', 'bonus issue by the companies' and 'industry practices' are found to have less significant role in the matter of deciding on dividend payments. Adjaoud & Ben - Amar, 2010 examines the association between the strength of corporate governance and payout policy on a sample of large Canadian firms over the period from 2002 to 2005. The study attempts to test two alternative hypotheses regarding the association between corporate governance status and payout policy namely 'outcome hypothesis' which convey a positive relation between these two variables whereas the 'substitution hypotheses proposes a negative association between two variables. The empirical findings exhibit that the dividend payout policy/pattern is strongly associated to equity holders right-one of the four elements of corporate governance such as

structure of the board of directors, ownership and reward plan, policy regarding stockholder rights and policy of disclosure. The study made a conclusive remark that when stockholders are powerful, they can utilize this authority to enforce agents (manager) to disburse larger dividends instead of retaining profits for individual advantage. Shao, Kwok, & Guedhami (2010) tried to observe the impact of the national culture on the corporate payout strategy. The study asserts that dividend policy and pattern is not only attributed by the impartial valuation of the gravity of agency and asymmetric information within an entity but also by the idiosyncratic assessment of the managers and shareholders which build on their national culture. By applying 'Schwartz's national culture dimensions, Conservatism and Mastery' on payout sample of large number of firms from 21 countries between 1995 to 2007. The study reveals that Conservatism is optimistically connected while Mastery is pessimistically associated to dividend disbursement. This outcome is vigorous to controls for a broad type of other factors of payout strategy such as investor protection, performance of equity market, financial system formation, tax benefit and economic development. Chazi, Boubakri, & Zanella (2011) study the financial manager's policy choices on dividend payment and stock buyback in a tax-free corporate environment in UAE. The study presents support for the proposition that payout policy is conventional. Study found that financial managers are unwilling to decrease dividends and usually decide their dividend strategy on the basis of prior dividend disbursement. However, CEOs found to be less reserved than their industry mates in the US while deciding on dividend policy. Khan, Burton, & Power (2011) in their studies of the management's views on dividend decision in Pakistan has provided comprehensive proof that in case of the factors of dividend levels, firms emphasizes more on recent period earnings followed by the liquidity. However; survey also revealed that past earnings and dividend trends are applied by managers mainly for comparison purposes rather than a decision factor. Van Caneghem & Aerts (2011) try to examine the influence of intra-industry conventionality on payout policy among the sizeable sample of US corporations. The study exhibits a considerably affirmative association between the decreased frequencies of entities in the sector that disburse dividend and the likelihood of a main entity disbursing dividend. Additionally, the study finds strong likeness in dividend payout amongst corporations in the same industry cause more consistency between a main corporation and standard industry exercise. In general, findings are coherent with replication in payout policy.

Huang, Chen, & Kao (2012) try to practically portray the connection between dividend disbursement and family cash flow controlling rights in Chinese Taipei. This study exhibits how family ownership effect dividend disbursement in relation to the level of cash flow rights of the controlling families. They argue that dividend disbursement is positively associated with the negligible cash flow rights of the controlling family resulting from their insecure controlling position in the company. In opposite case where families hold moderate cash flow rights and strong control in a

firm, payout is negatively associated to the cash flow rights of controlling family. In case of the corporations where, controlling family stake is at highest level, the firm specific risk factors encourage them to take out cash through dividend, developing a positive association between dividend disbursements and cash flow rights of controlling family. However, positive association between dividend disbursement and cash flow rights of controlling family exists only in case of financially established firms because of high liquidity which also supports the life-cycle theory of payout. Lam, Sami, & Zhou (2012) examine whether dividend policy differs with the ownership status of the firms. Using the significant number of sample firms from China the study tries to investigate whether such effect prevails in corporate payout strategy and exercise. The study reveals that both foreign ownership and cross-listing have noteworthy negative impact on cash dividend which is consistent with the tunneling hypothesis. The study also finds that larger state ownership is likely to disburse larger cash dividends and lesser stock dividends. Moreover, firms with large individual stock holding tend to disburse less cash dividend and more stock dividend.

Patra, Poshakwale, & Ow-Yong (2012) investigates the entity level variables which might significantly affect the dividend pattern and policy of Greek firms disbursing dividend. They empirically suggest that size of the firms, leverage and business risk are significantly positively related with the payout decision. Singhania & Gupta (2012) scrutinize the factors of payout strategy of “Nifty 50 Index” firms in India. By applying the Tobit model, suppressed regression model and boosting the log probability function, the study exhibits that just two of the factors, namely market capitalization and market price to book value ratio are considered to be important for payout strategy choice for sample firms. Rest of the factors such as age, earnings and capital structure are considered to be immaterial. They also argue that most of the current dividend theories are application within the context of emerging market like India. Abor & Fiador (2013) study the effect of dividend payout on corporation’s corporate governance policy in Sub-Saharan Africa. Applying the instantaneous panel regression model on sample size of 525 firms covering Ghana, Kenya, Nigeria and South Africa from the period from 1997 to 2005 they find that composition of the board and size of the board shows considerably affirmative association with dividend disbursement in Ghana and Kenya. Whereas dividend disbursement pattern among South African and Kenyan firms are positively influenced by institutional ownership. However in context of Nigeria corporate governance seems to be negatively associated with dividend disbursement. The result evidently advise that, in case of South Africa, Kenya and Ghana, good corporate governance policy practice direct to large payout due to the easy access of low cost external financing. Where as in case of Nigeria situation is reverse with the high retention of earnings due to high cost of external financing. Kaźmierska-Jóźwiak (2015) examine the factors of payout policy of Polish manufacturing firms listed on the Warsaw Stock Exchange. The findings exhibit a significant negative relation between

profitability of the firm (ROE) and dividend payout ratio which proves that Polish firms are using retained earnings as a viable internal capital source. The analysis also reveals that there is a strong negative association between firms' leverage and Dividend payout ratio. Roy (2015) try to identify the effect of corporate governance practice on dividend strategy in the context of emerging markets such as India. By covering the sample of more than 50 listed firms over the period from 2007 to 2012 the study have identified five key issues related to corporate governance that is attributable to dividend policy. The study finds that domestic and foreign ownership pattern do not have any effect on dividend policy. In case of debt the study find no noteworthy positive association with the dividend policy. Though, the liquidity hypothesis seems to be proved by the significant positive relationship between the liquidity of the firms and dividend policy. Other variables such as growth opportunities both historical and potential and also the size of the firms are found to be significant dividend determinants of the firm. Al-Najjar & Kilincarslan (2016) examine the consequence of ownership composition on payout strategy of the firms listed at Istanbul stock exchange in Turkey. They find that both foreign and state ownership are negatively associated with the chance of dividend disbursement. However, other ownership factors are inconsequential in contributing to the likelihood of paying cash dividend. Baker & Jabbouri (2016) argue that the most significant determinants effecting payout strategy includes current and future earning potentiality and also the historical dividend pattern. These two variables seem to be the major determinants of dividend policy of firms in Morocco. However, the management of the firms is found to be more concerned about the desire of the current shareholders while making disbursement decision. The study finds a strong implication of several dividend theories such as signaling theory, agency theory and life cycle theory in context of the Moroccan firms. Labhane & Mahakud (2016) investigate the payout pattern of the Indian firms By applying the trend analysis, they have argued that the bigger and highly profitable corporations have high dividend payout ratio. The study also reveals that factors such as size of the firms, leverage, earning and liquidity have noteworthy effect on determination of payout policy. However the result differs across the variables and time period. The findings also reveal that factors such as capital structure, asset tangibility, risk and tax are negatively related to the dividend payout where as firm's life cycle, liquidity and market capitalization is positive related to the dividend payout. Cheung, Hu, & Schwiebert (2018) inspect whether corporate social responsibility (CSR) influence dividend strategy of the firms. Applying a panel data set of 1,945 US-listed corporations, the study reveals that no strong association exists between CSR and the firm's tendency to disburse dividends. Though, high CSR indexed firms have a higher dividend disbursement ratio. These findings shows that in general CSR does not impact corporation's decision to pay dividend but it affirmatively effect the firm's decision on which type of dividend to disburse. Baker, Kilincarslan, & Arsal (2018) argue that managers believe that payout

policy effect firm's value and stockholders wealth. Additionally managers believe that optimal dividend policy should be formulated to maximize owner's wealth and future growth. The survey data supports variable dividend theories proving the difference in implacability in different context. They find profitability as well as the constancy of the profitability. Liquidity and the historical trend of the dividend are the most significant factors of dividend decision by managers.

2. Research Design

2.1 Sample

Authors have taken companies from manufacturing sectors, which are enlisted before 2010 in DSE as population. From the population (117), it is taken 86 companies as sample through sample size determination techniques.

$$N(n = \dots - 1 + N(e)^2)$$

n = Sample size, N= Population size, e= level of precision)

The study period is 15 years from 2002 to 2017. This research is an analytical research based on secondary data. The stratified random sampling procedure is followed.

2.2 Primary data

The present research is based on an empirical study of 86 listed firms from the DSE with the objective of identifying the dividend policies practices. The data has been collected through the primary mode using a structured questionnaire containing 8 statements based on 5-point Likert scale where strongly agree=2, Agree=1, Indifferent=0, Disagree=-1 strongly disagree=-2. The respondents are asked to indicate the level of agreement on issues for their firm's dividend policy. There are 8 multiple choice questions are also given to respondents. The questionnaire has been prepared after reviewing the prior studies on dividend practices by decision maker. The survey follows the literature of Baker & Powell (2000), Brav et al. (2005), Baker, Farrelly, & Edelman (1985) etc. The data are collected from the chief financial officer (CFO) and Managing director, Chairman, Board of directors of each sample firm.

2.3 Statistical Techniques

Authors have used one-sample t-test to determine whether the mean response for each of the 8 factors involving dividend policy differs significantly from 0 (Indifferent). This study follows the test of Baker & Powell (2000), Brav et al. (2005), etc. The non-parametric test (Chi-

square test) is also done which is similar testing tools of Edelman & Farrelly (1983).

2.4 Secondary data

The study is based on secondary data obtained from published annual reports of sample firms, monthly review of Dhaka stock exchange and website of DSE. It is taken 86 companies from manufacturing sectors as sample. The sample period is 15 years from 2002 to 2017 for the study. The data are analyzed with descriptive way of dividend practices in Bangladesh.

3. Investigation and Interpretations: Manufacturing Sectors

From the table 1, it is seen that the average dividend payout ratio of miscellaneous sector, engineering sector, pharmaceutical & chemical sector, ceramic, textile, food, fuel& power, Cement & jute are 63.2, 54.49, 46.98, 53.14, 43.98, 40.6, 37.76, 34.52 percent respectively which reveal that miscellaneous, engineering sector, chemical& pharmaceutical sectors have the better DPR while the food and cement, jute sector have the lower DPR.

Table 1
Industry wise dividend pattern and performance

Industry / Indicators	Eng.	Cement & Jute	Ceramic	Food	Fuel & power	Misc.	Pharmaceutical & Chemical	Textile
DPR	54.49	34.52	34.52	40.6	37.76	63.2	46.98	43.98
DPS	24.63	9.066	13.33	25.05	32.47	41.11	36.63	12.02
EPS	33.85	8.8	22.47	3.03	64.70	75.54	79.16	14.74
DY	3.19	2.177	3.44	3.38	13.04	3.24	3.03	3.72
MPS	884.1	37.76	560.26	678.28	1217	1529	1559	387.9

Authors Calculation

From the table 1, it is seen that the average dividend per share of miscellaneous sector, engineering sector, pharmaceutical & chemical sector, ceramic, textile, food, fuel& power, Cement & jute are 41.11, 36.63, 13.32, 12.02, 25.05, 32.47, 9.06 percent respectively which reveal that miscellaneous, engineering sector, chemical& pharmaceutical, fuel & power sectors have the better DPS while the textile sector, ceramic cement, jute sector have the lower DPS.

The average EPS of engineering sector, cement sector, jute sector, ceramic sector, food sector, fuel & power, miscellaneous, pharmaceutical & power, textile is 33.85, 8.8, 22.46, 3.03, 64.7, 75.54, 79.14, 14.74 percent respectively. It indicates that the pharmaceutical & chemical, miscellaneous, fuel & power, engineering sectors have the higher EPS and food, jute, cement, textile have lower EPS. The average dividend yields are almost same of different sectors except fuel and power sector.

Finally, it is concluded that the DPR, DPS, EPS, DY of the pharmaceutical & chemicals sector, miscellaneous sector, engineering sector, fuel & power sector have the higher performance while jute, cement, food, textile sector have the weaker scenario and the average market price per share of earlier sector is more the average MPS of later sectors. So, the market price of share is positively related to the dividend related issues.

3.1 Category wise dividend payment pattern

Table 2
Dividend performance of different categories

Category	A	B	Z
DPR	49.63	49.23	35.35
DPS	32.43	8.30	3.26
EPS	58.08	9.17	22.44
DY	3.3	13.37	2.29
MPS	1165.38	329.85	243.40

Authors Calculation

From the table 2, it is seen that the DPR, DPS, EPS, DY of A category are 49.63%, 32.43%, 58.08%, 3.3% while the DPR, DPS, EPS, DY of Z category are 35.35%, 3.26%, 22.44%, 2.29%. The companies which are under category A have better performance in dividend payment but the companies which are under the Z category have weak position in dividend payment.

3.2 Dividend payment pattern and years of operation

Table 3
Dividend performance and tenure of operation of the firms

Year/Category	1980-85	1985-90	1990-95	1995-00	2000-05	2005-10	2010-15
DPR	55.67	56.99	51.75	48.59	57.36	26.55	31.04
DPS	69.54	25.66	18.99	20.16	7.64	12.59	35.55
DY	3.77	2.61	3.68	3.61	9.20	2.21	1.99
EPS	127.66	37.46	23.39	41.58	12.11	936	65.53
MPS	2492.25	1092.12	695.72	744.47	238.95	750.06	1189.36

Authors Calculation

From the table 3, it is seen that the DPR of the earlier listed companies is more than the former listed companies (i.e. 1976-80: 55.67%, 1980-85: 56.98%, 2000-05: 26.54%, 2005-10: 31.04%). It also observed that the DPR of the companies are more which are listed before year 2000 than the companies which are listed after the year 2000. The DY of early listed companies more than the later listed companies.

3.3 Dividend and Corporation size

Table 4
Dividend pattern based on the firm size

Size/Category	Large Size	Medium Size	Small Size
DPR	29.62	46.80	54.18
DPS	53.37	28.61	11.24
EPS	100.5	48.53	7.84
DY	2.42	2.78	3.61
MPS	1899	1078	467

Authors Calculation

From the table 4, it is observed that the DPS of Large, medium, small size firm are 53.37, 28.60, and 11.24 respectively. The DPR of large, medium small size firm are 29.62, 46.80, and 54.18 respectively. The DPR and DPS is reverse direction because the large firm pay more stock dividend than small size firm. The EPS of large firm is 100.5 while the EPS of small firm is only 7.84. The large firm' market price of share (1899) is more than the MPS of small size firm (467).

3.4 Dividend and Risk

Table 5
Risk and Dividend performance of different firms

Risk/ Category	High risk firm	Moderate risk firm	Low risk firm
DPR	43.79	41.99	52.49
DPS	9.48	18.26	38.73
EPS	-1.49	29.44	69.35
DY	3.12	5.24	3.6
MPS	449.08	880.17	1219.77

Authors Calculation

It is observed from the table 5 that the low volatile companies' (low risk) DPR, DPS, EPS, DY, MPS are 52.49 %, 38.73%, 69.34%, 3.6%, 1219.77 respectively while the high volatile companies' (high risk) DPR, DPS, EPS, DY, MPS are 43.79 %, 9.47%, -1.49%, 3.12%, 449.08 respectively. So, it is concluded that the high volatile companies' performance is not satisfactory in related to market issues.

3.5 Dividend and leverage

Table 6
Leverage and Dividend performance

Leverage/Category	Very High leveraged firm	High leveraged firm	Medium leveraged firm	Low leveraged firm	very low leveraged firm
DPR	40.12	46.06	60.29	54.37	48.54
DPS	16.76	21.94	13.55	44.07	31.17
EPS	17.07	37.00	22.19	69.04	69.83
DY	2.17	9.48	4.01	4.13	2.66
MPS	721.38	831.82	452.28	1203.21	1390.24

Authors Calculation

It is seen from the table-6 that the DPR of medium leveraged firm is highest (60.29%) compared to another leveraged group. But the market price of share (1390.24) and earnings per share (69.81%) of the low leveraged firm are the highest.

3.6 Dividend and Ownership Structure

Table 7
Ownership Structure and Dividend performance of different firms

Majority Shareholdings	DPR	DPS	EPS	DY	MPS
Sponsor (50% and above)	46.73	26.95	41.62	2.77	1081
Individual (40% and above)	54.68	15.10	20.58	7.26	1036.67
Institution (40% and above)	43.76	26.84	61.04	3.53	521.74

Authors Calculation

In the table 7, the dividend related performances are observed in respect of majority shareholdings position. The DPR and DY of individual ownership' majority are 54.68% and 7.26 percent which is more than the other two groups. But the DPS and EPS of individual ownership' majority are 15.10 and 20.58 percent respectively which are lower than the other majority groups. The sponsor ownership' majority and institution ownership's majorities are same in respect of dividend and other market related issues and have better performance.

3.7 Dividend and its payment trend

Table 8
Dividend and its payment trend

Pattern /Category	Regular	Irregular
DPR	49.47	40.87
DPS	32.18	6.58
EPS	58.33	-9.47
DY	3.5	2.62
MPS	1128.27	376.28

Authors Calculation

In the table 8, The DPR, DPS, EPS, DY, MPS of regular dividend paid companies are 49.46 %, 32.17%, 58.33% 3.5 %, 1128.27 respectively while DPR, DPS, EPS, DY, MPS of irregular dividend paid companies 40.87, 6.58, -9.46, 2.62, 376.28 respectively. This shows the remarkable difference between the regular paid and irregular dividend paid companies. The performance of dividend paid companies better than the irregular dividend paid companies in the dividend and market related issues of the companies.

3.8 Dividend and Earning (PE)

Table 9
PE and Dividend performance of firms

Class	20+	15-20	10-15	5-10	0-5
DPR	49.66	46.66	53.51	42.89	7.17
DPS	18.78	47.22	50.60	8.53	3.58
EPS	29.82	95.53	65.89	-1.72	-53.34
DY	4.7	3.66	4.19	5.92	2.13
MPS	817.07	1469.84	1090.49	162.53	351.42

Authors Calculation

It is observed from the table 9 that the class of PE ratio between 10-15 is the best class in respect of dividend and other market related factors (DPR:53.51%, DPS:50.60%, EPS:65.89%, 4.19%, MPS:1090.49). The extremely lower class (0-5) indicates the worst position of dividend related performance (DPR: 7.16%, DPS: 3.5%, EPS: -53.34%, DY: 2.13, MPS: 351.42).

3.9 AGM held

Table 10
AGM holding Companies

<i>Year</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
AGM held (%)	89.03	86.73	81.75	92.37	89.76	89.47
AGM not held (%)	10.97	13.27	18.25	7.63	10.24	10.53
<i>Year</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
AGM held (%)	90.74	99.14	99.54	97.83	99.17	98.44
AGM not held (%)	9.26	0.86	0.46	2.17	0.83	1.56

Author's calculation

It is observed from the table 10 that the number of AGM holding companies is increasing and the AGM not holding companies is decreasing. The AGM not holding companies are 10.97% in the year 2002 and it reduced to 1.56% in the year 2013 which is positive signs. The AGM holding companies are 89.03(2002) percent and 98.43(2013) percent respectively. This scenario indicates positive movement of the market.

3.10 Dividend Practices: Analysis of primary data

Table 11
Survey results of dividend practices

Shareholders' Preference on Dividend Types	
Issues	Preferential Ratio
Cash dividend	65.11
Stock dividend	32.66
Right Issue	0
Stock repurchase	2.23
Companies' Preference on Dividend Types	
Cash dividend	41.86
Stock dividend	20.93
Cash and Stock	32.55
Stock repurchase	0
No preference	5.81
Rationalities Behind Preference of Choosing Specific Dividend Type	
Easy to implement	20.93
More flexible	12.79
Maintaining consistency	19.76
Majority shareholders' expectation	41.6
Other	4.64
Dividend Payment Trend	
Regular	68.6
Irregular	27.9
No dividend payment	2.32
Dividend Payment Policies	
Stable payout ratio	54.65
Constant DPS	25.58
Regular plus extra dividend	11.62
Residual dividend policy	6.9
Dividend Payment Pattern	
Increasing trend	61.62
Decreasing trend	11.62
Unchanged	24.41
Manager's Target for Dividend Decision	
Amount of dividend	12.79
Growth in dividend	31.39
Dividend yield	10.46
Dividend payout ratio	24.41
No target at all	22.09
Research for Dividend Preference	
Yes	24.41
No	74.41

Authors Calculation based on survey findings

From the table 11, the managers think that the maximum shareholders prefer cash dividend (65.11%). The 32.66 percent shareholders expect stock dividend. The companies also prefer cash dividend to distribute among the shareholders. The 41.86 percent companies prefer to pay cash dividend but 20.93 percent companies prefer only stock dividend. The 32.55 percent companies prefer both cash and stock dividend. The companies prefer earlier form of dividend payment because of majority shareholders' expectation (41.86%). Other reasons for choosing the forms of dividend are easy to implement (20.93%) and maintain consistency (19.76%).

The maximum companies pay the dividend regularly (68.60 %) and 27.90% company pay the dividend irregularly. But only 2.32 percent companies did not pay the dividend at all. The 54.65 percent companies take the stable dividend payout policy. The companies' other dividend policies are constant dividend per share (25.58%), regular plus extra dividend (11.62%), and residual dividend policy (6.9%).

The dividend increasing trend, decreasing trend, unchanged trend is 61.62%, 11.61%, 6.9% companies respectively. The most of the company's target the growth in dividend (31.39%) and dividend payout ratio (24.41%) and remarkable number of companies have no target at all (22.09%). Only 24.41% companies conduct research about the dividend preference of the shareholders.

3.11 Management's views on the dividend policies: Survey on industrial sectors

Table 12
Management's view about the dividend policies

01	Statement	<i>Trying to avoid reducing dividends per share, because there are negative consequences of reducing dividends</i>			
	Level of Agreement	Strongly Agree	23.25	Mean	0.802
		Agree	43.30	Rank	5
		Indifferent	25.58	t-test	8.105
		Disagree	6.97	Sig. (2-tailed)	0.00
		Strongly Disagree	1.16	Chi square value	45.41
02	Statement	<i>Rather than reducing dividends, we raise new funds to undertake a profitable project</i>			
	Level of Agreement	Strongly Agree	17.44	Mean	0.564
		Agree	40.69	Rank	7
		Indifferent	26.71	t-test	5.061
		Disagree	11.62	Sig. (2-tailed)	0.00
		Strongly Disagree	3.4	Chi square value	33.76
03	Statement	<i>We make dividend decisions after taking investment plans</i>			
	Level of Agreement	Strongly Agree	13.95	Mean	0.593
		Agree	47.67	Rank	6
		Indifferent	23.25	t-test	5.864
		Disagree	13.95	Sig. (2-tailed)	0.00
		Strongly Disagree	1.16	Chi square value	53.05
04	Statement	<i>We develop dividend policy for maximizing the company's market value</i>			
	Level of Agreement	Strongly Agree	48.88	Mean	1.18
		Agree	33.72	Rank	3
		Indifferent	6.9	t-test	10.62
		Disagree	8.13	Sig. (2-tailed)	0.00
		Strongly Disagree	2.32	Chi square value	68.58
05	Statement	<i>We change dividends based on sustainable shift in earnings</i>			
	Level of Agreement	Strongly Agree	33.72	Mean	1.00
		Agree	41.46	Rank	4
		Indifferent	16.26	t-test	9.80
		Disagree	6.79	Sig. (2-tailed)	0.00
		Strongly Disagree	1.16	Chi square value	51.05
06	Statement	<i>We try to maintain a smooth dividend stream from year to year</i>			
	Level of Agreement	Strongly Agree	60.46	Mean	1.51
		Agree	31.39	Rank	1
		Indifferent	6.79	t-test	20.56
		Disagree	1.16	Sig. (2-tailed)	0.00
		Strongly Disagree	0	Chi square value	73.44
07	Statement	<i>We pay dividends for showing better performance compare to competitors</i>			
	Level of Agreement	Strongly Agree	10.46	Mean	-2.9
		Agree	26.74	Rank	8
		Indifferent	9.3	t-test	-1.97
		Disagree	30.23	Sig. (2-tailed)	0.05
		Strongly Disagree	23.25	Chi square value	15.35
08	Statement	<i>We make dividend policy based on majority shareholders' expectation</i>			
	Level of Agreement	Strongly Agree	51.16	Mean	1.26
		Agree	31.39	Rank	2
		Indifferent	12.79	t-test	12.52
		Disagree	2.32	Sig. (2-tailed)	0.00
		Strongly Disagree	2.32	Chi square value	74.23

Authors Calculation

From the table 12, all the statements are significant except statement number 7. The statement 6 ('we try to maintain a smooth dividend stream from year to year') has highest mean value (1.51) and got 91.85 percent opinion of respondents at 'agree and strongly agree' level. This statement is statistically significant with t- test and chi-square test. It indicates that the companies try to maintain the smooth dividend payment over the year. They try to avoid reducing the dividend (statement 1 and it is also significant).

The 82.55 percent companies have 'agree and strongly agree' opinion on the statement 8 ('we make dividend policy based on majority shareholders' expectation') which is statistically significant with t test and chi-square test. So, the companies take their dividend decision by considering the majority shareholders' expectation.

The statement 7 ('we pay dividends for showing better performance compare to competitors') is not statistically significant which indicates that the companies do not pay dividend for showing better performance compares to competitors.

The 82.60 percent companies have 'agree and strongly agree' opinion on the statement 8 ('we develop dividend policy for maximizing the company's market value') which is statistically significant with t test and chi-square test. So, the companies develop their dividend decision with the objective of maximizing the market value of share by considering the majority shareholders' expectation.

4. Policy Implications

The study has found the corporate dividend policy practices related findings such as regulatory problems, policy related problems, application of model related issues etc. Accordingly, the study suggested the following measures:

- The companies should follow continuous dividend policy practices with a view to boosting investor morale as well as keeping stock market as safe harbor for investment and financing sector.
- The main determinants of dividend decisions are earnings and liquidity. So, company has to consider significant earnings and liquidity position for paying smooth dividend.
- The dividend announcement has the signaling effect on the market price of share. The corporate dividend decision and investors' investing decision should consider this finding.
- The corporate firms should follow non-identical dividend policies depending on own characteristics, financing, and investing opportunities and expectation of market participants.
- The companies should make corporate dividend policies and undertake corporate dividend decision in line with the objective of maximizing share holders' wealth.

- The earlier reactions of dividend announcements indicate the leakage of information in the market. So, there should be taken the regulatory measures for preventing it.

Conclusion

This study depicts the picture of dividend performance in the capital market of Bangladesh. In the manufacturing sector, the miscellaneous sector provides the highest payout. The DPS, EPS, MPS of the large size firm is better than small and medium size firms. The payout of the older firms is more than the newly listed firms. The highest payouts are in medium leveraged firm, low risk's firm, medium PE ratio's firm. The survey results reveal that the both shareholders and companies prefer the cash dividend most because of majority shareholders' expectation. The most of the companies pay cash dividend with stable payout. The majority companies follow increasing trend in dividend payment but there is no satisfactory research to justify the investors' preference. The decision maker, investors and other stakeholders should follow these findings for taking decision.

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