Waheed Ahmed Alhindi¹, Saqib Muneer², Agha Jahanzeb³ THEORETICAL FRAMEWORK FOR DETERMINING THE DIVIDEND POLICY IN PAKISTANI ORGANISATIONS

The intention of this study is to examine the significance of agency cost theory and signaling theory in determining the dividend policy. This study explores the behavior of Pakistani market after announcing the dividends in order to test the dividend signaling theory against the theory of agency cost. In addition, the impact of organizational ownership structure on the dividend's content of information is also explored. The results of this study demonstrate a strong relationship between dividends announcements and excess returns on equity. In other words, an increase in dividends will enhance the returns and respectively the decrease in dividends will reduce the returns on equity. The detailed analysis on abnormal gains illustrates that they get more significant with the existence of blockholders in small-sized organizations. Moreover, the results of this investigation demonstrate that the agency cost theory has weaker evidence than the signaling theory in explaining why organizations pay dividends.

Keywords: market response, returns, incentives, dividend policy, agency cost theory, signalling theory.

Вахід Ахмед Альхінді, Сакіб Мунір, Ага Джаханзеб ТЕОРІЇ ФОРМУВАННЯ ДИВІДЕНДНОЇ ПОЛІТИКИ В ПАКИСТАНСЬКИХ ОРГАНІЗАЦІЯХ

У статті вивчено значущість теорії агентських витрат і теорії сигналів у визначенні дивідендної політики. Досліджено поведінку гравців на пакистанському ринку після оголошення дивідендів для перевірки теорії сигналів і теорії агентських витрат, проаналізовано вплив структури власності організації на дивіденди. Результати показують, що існує тісний взаємозв'язок між оголошенням дивідендів і підвищеною рентабельністю власного капіталу. Іншими словами, збільшення дивідендів призводить до збільшення рентабельності, а зменшення дивідендів знижує прибутковість капіталу. Докладний аналіз випадків значних виплат дивідендів показує, що вони набагато більш ймовірні за наявності акціонерів - власників великих пакетів акцій у малих організаціях. Результати дослідження демонструють, що теорія агентських витрат менш ефективна, ніж теорія сигналів, при побудові моделі виплат дивідендів.

Ключові слова: реакція ринку, надприбуток, стимули, дивідендна політика, теорія агентських витрат, теорія сигналів.

Форм. 3. Табл. 4. Літ. 53.

Вахид Ахмед Альхинди, Сакиб Мунир, Ага Джаханзеб ТЕОРИИ ФОРМИРОВАНИЯ ДИВИДЕНДНОЙ ПОЛИТИКИ В ПАКИСТАНСКИХ ОРГАНИЗАЦИЯХ

В статье изучена значимость теории агентских издержек и теории сигналов в определении дивидендной политики. Исследовано поведение игроков на пакистанском рынке после объявления дивидендов для проверки теории сигналов и теории агентских издержек, проанализировано влияние структуры собственности организации на дивиденды. Результаты показывают, что существует тесная взаимосвязь между объявлением дивидендов и повышенной рентабельностью собственного капитала. Другими словами, увеличение дивидендов приводит к увеличению рентабельности, а

¹ PhD, Professor, King Saud University, Riyadh Saudi Arabia.

² Corresponding author, PhD Student, University Technology Malaysia, Malaysia.

³ PhD Student, University Technology Malaysia, Malaysia.

уменьшение дивидендов снижает прибыльность капитала. Подробный анализ случаев значительных выплат дивидендов показывает, что они гораздо более вероятны при наличии акционеров - держателей больших пакетов акций в малых организациях. Результаты исследования показывают, что теория агентских издержек менее эффективна, чем теория сигналов, при построенни модели выплат дивидендов.

Ключевые слова: реакция рынка, сверхприбыль, стимулы, дивидендная политика, теория агентских издержек, теория сигналов.

1. Introduction

Over more than four decades, a large number of theoretical and empirical studies have been conducted on dividend policy but why organizations pay dividend is still a question for financial учзукеы фтв economists. Miller & Modigliani (1961) documented that dividend payment becomes irrelevant and has no influence on stock price as well as on cost of capital of an organization when investment policy of organization is held constant in perfect capital market. The application of dividend irrelevance theory in the real world is almost impossible since its restrictive assumptions. However, Black (1976) observes that "corporation that pays no dividend will be more attractive to taxable individuals than a similar corporation that pays dividend". Moreover, Lintner (1956) argued that some organizations paid more dividend to attract the potential investors. These different viewpoints puzzled the academic community and Brealey & Myers (2003) considered the dividend policy to be one of the ten unsettled dilemmas in the finance field. For explaining the dividend puzzle, academicians offer four standard theories, which include tax preference theory, signalling theory, bird in hand theory and the agency cost theory. However, current dividend information demonstrate that signalling and agency cost theory have gained more support. Other two theories (tax preference and bird in hand) have received criticism from both theoretical and empirical studies as well as bird in hand theory has been branded a fallacy. On the other hand, supporting studies of dividend signalling theory conceive that an organization communicates its own information about the future growth and profitability; therefore, more dividend decreases the information asymmetry among managers and shareholders. As a result of this signalling, the value of organization is increased for shareholders (e.g. Bhattacharya, 1979; John & Williams, 1985; Miller & Rock, 1985; Jensen, 1986). Consequently, dividend-signalling information theory forecasts positive or negative reaction of share-prices after the proclamation of dividends increase or decrease. In addition, a large number of empirical studies support this prediction (Adjaoud, 1984 and Healy & Paplepu, 1988).

Some empirical studies (e.g. Grullon et al., 2005; Grullon, Michealy & Swaminathan, 2002) assure that dividend information signalling does not convey the future change in organizational profitability. Here there are two questions: if information signalling theory is not able to deliver the future information then why management hesitates to cut the dividends and if organizations cannot sustain increase in future profit then why they pay more dividends? (e.g. Lintner, 1956; Adjaoud, 1986; Baker et al., 2006). This study aspires to tackle this lack of consent in literature of dividend policy on which theory is significant in impelling the dividend policy of Pakistani organizations through investigating the share price respond to the dividends

declaration. This study concludes that due to laps of various variables, which are helpful in exposing the role of dividend information signalling, agency theory has got more preference. Furthermore, prior literature on dividend signalling mainly focuses the US and UK stock markets; we have select a developing market (Pakistan) to investigate the role of agency cost theory and signalling theory in determining the dividend policy. Studies by White (1996), Fama & French (2001), and Dutta et al., (2005) explored that with the increase in the size of organizations, the prospects of paying dividends to shareholders also increased. However, this study endeavors to show that declaration of dividend payment is pursued by considerable anomalous returns on share ("positive in case of increase in dividends while negative in case of decrease in dividends") by using a sample of Pakistani organizations, which report dividend declarations in the period from 1995 to 2007. In addition, detailed analysis of this study demonstrates that irregular return on equity is more significant when an organization is of small size as well as positively associated with the continuation of blockholders. Therefore, these results do not favor the agency cost but somewhat foster the theory of information signalling in "explaining why do organizations allocate dividends". However, further in this study, part 2 will present the relevant literature on the signalling and agency cost theories. Moreover, methodology of this study is shown in part 3 and part 4 of this study will describe the data. Part 5 explores the empirical tests and results and part 6 concludes the study.

2. Literature Review

Several propositions have been explained in past few decades to solve the "dividend puzzle". Most of these empirical and theoretical studies (e.g. Millar & Modigliani, 1961; Lintner, 1956; Black, 1976; Baker, Powell & Veit, 2002) favor the two rival theories: Agency cost theory and the signalling theory.

Signalling theory: According to Bhattacharya (1979), John & Williams (1985), and Miller & Rock (1985), dividends help to reduce conflicts between management and shareholders and also help to mitigate information asymmetry. Theoretical studies suggest that the dividend payments express private facts related to future firm profitability when a firm on regular basis pays the dividends. Lintner (1956), Adjaoud, (1984), Asquith & Mullins (1983) and Healy & Palepu (1988) presented an empirical work supporting the signalling theory. Nissim & Ziv (2001) presented positive relationship between changes in current dividends and earnings and the future profitability. Increasing analyst coverage reduces the tendency to pay or to initiate dividends (Li & Zhao, 2005). Study by Amihud & Li (2006) presented that after 1970s, a response to change in dividends with the change in magnitude of the prices of stocks has declined, which makes firms unwilling to receive costs related to dividend signalling. Their research was coherent with the vanishing dividend phenomenon found by Fama & French (2001) and hence should be taken as a support for theories related to dividend signalling. More recent work on this area, however, sheds doubt on the signalling theory that it's not consistent with the phenomenon of 'dividend disappearance'. DeAngelo, DeAngelo, & Skinner (2004) and Osobov (2004) stated the dividend payers' shift is actually the outcome of dividends' great concentration among those small firms featuring substantial profits. Their manifest as payout policy's first-order determinant contradicts with the signalling theory. Grullon, Michaely & Swaminathan (2002) presented the information on dividends related to firm maturity which indicated risk level rather than future cash flows of a firm. Grullon et al., (2005) contradicting the results of Nissim & Ziv (2001), found inverse correlation between the changes in dividend and future profitability changes, and explains that the models containing changes pertaining to dividends do not get better out-of-sample earnings estimates. Brav et al. (2005) documented that payout policy's signalling hypothesis is supported by management ideas. However, more recent work conducted on executives from firms in Canada found strong support for dividend signalling, but not related to the agency cost theory (Adjaoud & Zeghal, 1998; Baker et al., 2006).

Agency Theory: Jensen and Meckling (1976) argue that dividends decline the cash flow which the managers expect till maturity (Jensen, 1986; Lang & Litzenberger, 1989). Proposition by agency theory specifies dividend payouts indicate a decline in agency costs instead of future profitability. Other empirical studies like Moh'd-Perry & Rimbey (1995) supported agency explanation for dividends (Osoboy, 2004). 'Dividend disappearance' is uniform with agency explanation given the current advances in the area of international corporate governance. Rozeff (1982) and Easterbrook (1984) stated that the dividend payouts drive companies to seek equity markets with the objective to raise additional capital, hence cutting down the agency costs as an outcome of enhanced examination the capital market places on the firms, that helps outside shareholders get some control. Rozeff (1982) and Easterbrook (1984) by using Tobin's Q found contradicting results than those of the signalling theory. They accounted this evidence for dividends as an agency-cost-reducing tool instead of a signalling tool. We argue that the results found by Easterbrook (1984) and Rozeff (1982) do not inevitably display the lack of consistency with signalling explanation. However, they both can be accounted as evidence for a dividend policies' signalling role if these studies had controlled the following factors: First, much of the previous research work constructs positive relation between the size and Tobin's Q. For example, Chen & Chen (1996) and Fama & French (1996) found that smaller firms averagely show lower Q ratios than that of large firms. Secondly, in accordance with further research, business press and financial analysts widely cover large firms than those of small firms. Atiase (1985), in this perspective, determined the fewer news items are published for small firms than large firm by business press. Differential information hypothesis, on the basis of explanation by Atiase (1980, 1985) proved that the dividend announcements were surprising for small firms as compared to the larger ones. That causes higher market respond among small firms comparing to the large ones in terms of abnormal returns. In the same perspective, higher stock-price respond will be expected by the investors to the announcements for dividends for smaller firms than those of larger firms. Interesting twist has been seen in the research on dividend policy since Fama & French (2001) publication. They found that the firms, which pay dividends are mostly with high profitability and low growth, while those firms which do not pay dividends tend to present high growth and low profitability. More studies confirmed this lifecycle-based explanation (Grullon et al., 2002; DeAngelo & DeAngelo, 2006). This supports the evidence with respect to American context, that profitability, size and growth opportunity affect the dividend payout policies. Dividends ownership structure and shareholders legal protection, until recently, received limited attention. To explain the financing aspect many studies emphasize the ownership structure (Ang, Cole & Lin, 2000; Jensen & Meckling, 1976; Gugler & Yurtoglu, 2003a; Morck, Shleifer & Vishny, 1988).

Asset turnover ratios have been used by Ang et al. (2000) to calculate shareholder-manager agency costs in closely held firms, which finance literature refers to vertical governance problem (Roe, 2004). They reported substantial inverse relationship between agency cost and managerial shareholdings, which empirically supports the theoretical work done by Jensen & Meckling (1976). Bhagat, Black & Blair (2001), for instance, conducted research from 1987 to 1990 period that firms consisting of large blockholdings posit better results than others do. Many other researchers (Allen, Bernardo & Welch, 2000; Gugler & Yurtoglu, 2003b; Rozeff, 1982; Grinstein & Michaely, 2003) documented corporate dividend policy and ownership structure. Dividend decisions of a firm are related to the desire to have organizational investors among their stockholders. Amihud & Li (2006) partially maintained declination of the content information of dividend announcements to the stock possession increment by institutional investors that are well informed and convoluted. Noronha, Shone & Morgan (1996) presented positive relation between blockholders' existence and dividend payout ratio. Much of the dividend puzzle was refined by studies that are more recent by providing support for the impact of legal protection of shareholders on dividend decision-making reliable with agency cost theory (La-Porta et al., 2000 and Faccio et al., 2001). For instance, La-Porta et al. (2000) argue that those companies which operate in the common law countries (i.e. strong legal protection of minority shareholders) pay more dividends than that of those firms in the civil law countries (i.e. weaker legal protection). They also present another fact that low dividends are paid by firms pertaining to high growth in common law countries. However, civil law countries have not reported this observations.

3. Methodology

In this study, we use both univariate and multivariate data analysis in order to investigate the responses of shareholders to announcements of dividends. The intent of this study is to explore the respond of share prices to announcements of dividends as well as to establish size and growth opportunities of organizations that impact the market response by employing a univariate data analysis since it is an event study. At the first stage; therefore, we attempted to assess the hypotheses, which are as follows:

1. *Hypothesis 1:* Announcements of dividends induce abnormal returns that are significantly different from 0.

2. *Hypothesis 2:* Abnormal returns would be higher for organizations with low growth opportunities ($Q \le 1$) than for organizations with higher growth opportunities ($Q \ge 1$).

3. *Hypothesis 3:* Organizations with Q < 1 would be small sized, while those with Q > 1 would be of a large size.

For measuring the influence of various variables on the content of information signalling of dividend declarations on second stage, this study uses a multivariate data analysis technique. For the calculation of adjusted abnormal gains in the market, the equation is as follows:

$$AMR_{i,t} = dR_{i,t} - mR_{m,t}, \tag{1}$$

where: $AMR_{i,t}$ – Adjusted Market Abnormal Return on security *i* over time *t*; $mR_{m,t}$ – Market Index Return over time *t*; $dR_{i,t}$ – Dividend Return on security *i* over time *t*.

From the literature on event study analysis it is clear that some other models like the Market Model (MM) can also be useful in estimating the abnormal gains on equity. Therefore, this study computes the abnormal gain affects by calculating the tenday collective abnormal gain:

$$ACR_t = \sum_{-5}^{+4} AAR_t, \qquad (2)$$

where $AAR_t = \sum AR_{i,t} / N$; N – Number of Events.

In both directions ("dividend increase and decrease of at least 10 %"), this study calculates and analyze the statistical importance of average collective irregular gains for a dividend shock. This study employs the regression equation model to investigate the market respond determinant, which is as follows:

$$ACR_{i} = \alpha_{0} + \alpha_{1}S_{i} + \alpha_{2}G_{i} + \alpha_{3}BH_{i} + \alpha_{4}FCF_{i} + \varepsilon_{i}$$
(3)

where: ACR – Average Cumulative Abnormal Return; S – Size of Organization; G – growth opportunity measured by Tobin's Q ratio; BH – Block-holders are considered to be as an indicator of level of ownership concentration; FCF – Jensen (1986) and Lang & Litzenberger (1989) documented that dividend payments are significant in reducing the agency problems. "Hence, we expect the coefficient of the free cash flow variable to be positive".

Data: we collected the data from covered all dividend-paying firms, which are listed on KSE Pakistan. In addition, the data the period from January 1, 1995 to December 31, 2007. The dates of dividend announcements are attained from the KSE website and the sample consists of 10573 dividend announcements for 625 firms.

4. Results

From day -5 to day 4 for each dividend changes categories (Increase, stable and decrease), AAR (average abnormal return) and ACR (average cumulative return) are repotted in table one. Result shows some interesting behavior of increase in dividend, as the increase in dividend abnormal gains are significant and positive while cumulative abnormal gain is 1.25 % starting from day one to last day. On the other hand, with the decrease in dividend announcements, abnormal returns are negative and different from zero while cumulative abnormal return is also negative 1.19 % from day one to last day. Alongside, there is no significant abnormal gain for stable dividend after announcements, which support the first hypothesis of the study.

| | SD (N = 1057) | | DD(N = 427) | | | ID $(N = 645)$ | | | |
|---------|---------------|--------|-------------|---------|--------|----------------|---------|--------|---------|
| Day (t) | CAR (%) | AR (%) | t-test | CAR (%) | AR (%) | t-test | CAR (%) | AR (%) | t-test |
| -5 | 0.004 | 0.004 | 0.01 | 0.04 | 0.04 | 0.49 | 0.10 | 0.10 | 0.45 |
| -4 | 0.02 | 0.02 | 0.05 | -0.21 | -0.25 | -1.05 | 0.29 | 0.15 | 0.97 |
| -3 | 0.18 | 0.15 | 0.89 | -0.39 | -0.18 | -1.58 | 0.42 | 0.15 | 1.03 |
| -2 | 0.22 | 0.07 | 0.28 | -0.43 | -0.03 | -1.61 | 0.68 | 0.26 | 1.07 |
| -1 | 0.20 | -0.02 | -0.09 | -0.72 | -0.31 | -1.92 ** | 1.03 | 0.36 | 2.22** |
| 0 | 0.18 | -0.05 | -0.21 | -1.25 | -0.52 | -2.44 *** | 1.49 | 0.47 | 2.66*** |
| 1 | 0.21 | 0.04 | 0.29 | -1.58 | -0.34 | -1.94 ** | 1.94 | 0.42 | 2.11** |
| 2 | 0.18 | -0.06 | -0.27 | -2.11 | -0.53 | -1.98 ** | 2.28 | 0.37 | 1.58 |
| 3 | 0.02 | -0.15 | -0.91 | -2.41 | -0.30 | -1.07 | 2.60 | 0.31 | 1.21 |
| 4 | 0.33 | 0.34 | 1.18 | -2.51 | -0.09 | -0.86 | 2.79 | 0.20 | 1.12 |

Table 1. Abnormal and Cumulative Abnormal Returns

Significant at 1%, 5%; and 10 %

АКТУАЛЬНІ ПРОБЛЕМИ ЕКОНОМІКИ №12(150), 2013

Descriptive cross-sectional summaries between announcements of dividends and the cumulative abnormal return sign. Abnormal returns are between 54 % (positive) and 46 % (negative), in the case of stable dividends. With the 10 % increase in the dividends, abnormal return increases from 54 % to 76.5 %. In addition, in the case of 10 % dividend decrease, abnormal returns decrease from -46 % to -78 %. While the value of indepent tests, which support the relationship between abnormal returns and kinds of dividend announcements is 19.28.

| | | - |
|----------|------|------|
| TDA | PCAR | NCAR |
| Stable | 54 | 46 |
| Decrease | 22 | 78 |
| Increase | 76.5 | 22.5 |
| | | |

Table 2. Test for Independence, %

 $x^2=19.28$, significant at 1%, TDA = type of dividend annoucements, PCAR = positive cumulative abnormal return, NCAR = negative cumulative abnormal return

In Table 3 it is reported that returns are inversely related to Q ratio with the decrease in dividends. In the case of dividend decrease, abnormal returns of firms are lower with low Q ratio. Z-test and t-test shows that abnormal returns of 2 sets of firms are considerably dissimilar. If dividend changes are considered as information signalling regarding future profitability of firms, then results of this study can emerge astonishing although they support the hypothesis 2. There is reliable and important evidence shown in table 4, which indicates that average size Q<1 firms is approximately the half average size of Q>1 firms. In addition, this size is for both case, dividend increase (-3.65) and decrease (-3.21).

| Group 1. Increase in dividend | | | | | | |
|-------------------------------|-----------------|------------------|--------|--------|--|--|
| | Q < 1 (N = 236) | Q >= 1 (N = 149) | t-test | z-test | | |
| TQR | 0.47 | 2.10 | -11.53 | -16.35 | | |
| AR -1 | 0.39 | 0.24 | 1.66 | -1.73 | | |
| AR_0 | 0.48 | 0.25 | 1.84 | -1.77 | | |
| ARi | 0.58 | 0.31 | 2.03 | -1.84 | | |
| TA (in M Res) | 11,200 | 25,965 | -3.65 | -5.98 | | |
| Group 2. Decrease in dividend | | | | | | |
| | Q < 1 (N = 198) | Q >= 1 (N = 104) | t-test | z-test | | |
| TQR | 0.48 | 2.04 | -9.12 | -14.24 | | |
| AR -1 | -0.32 | -0.22 | -1.41 | -1.69 | | |
| AR_0 | -0.79 | -0.48 | -2.08 | -3.31 | | |
| AR ₁ | -0.56 | -0.48 | -1.35 | -1.62 | | |
| TA (in M Res) | 20,345 | 33,597 | -3.21 | -4.17 | | |

| Tadle 3. Todin s Q Ra | atio |
|-----------------------|------|
|-----------------------|------|

Significant at 1%, 5%, 10 %, TQR – Tobin's Q ratio, AR – Abnormal return, TA – Total assets, N – Number of observations, Q – market-to-book value of assets.

Further, this study employs OLSR (ordinary least squares regression)³ to investigate the response market to announcement of dividends. Results of estimating the model 3 of this study are presented in Table 4. It is clear from the results that there is an inverse relationship between abnormal returns across dividend announcement (pvalue 0.023) and size of the firm. This result supports the evidence provided by Atiase

³ OLSR is suggested by Lie (2000).

(1985) and Zhao (2005). In addition, growth is a coefficient variable, which is significant at 1% level and it is negative. Furthermore, results of this study conflicting with the prior studies by showing that there is a positive relationship between abnormal returns (p-value 0.033) and blockholders. Coefficient of blockholders may indicate the nature of the impact of ownership in setting of dividend policies of Pakistan and positive sign reflects preference for payout. Moreover, results in table 4 show that there is no significant impact of free cash flow on the abnormal gains, against the agency cost. Finally, our results are consistent with the results of Baker et al. (2006) and Adjaoud et al. (2007) and these results are in the favor of the information signalling against the agency cost theory.

| | Ι | S | G | BH | FCF |
|--|--------|---------|---------|--------|--------|
| Coefficient | 0.0635 | -0.0034 | -0.004 | 0.01 | 0.0001 |
| t-test | 3.0971 | -2.2571 | -2.8705 | 2.1481 | 0.4631 |
| p-value | 0.002 | 0.023 | 0.0041 | 0.033 | 0.32 |
| Significant at 1%; 5%; 10 %, I – Intercept, S – firm size, G – firms growth, | | | | | |

| Table 4. | Multivariate | Analy | vsis |
|----------|--------------|-------|------|
|----------|--------------|-------|------|

BH - Block-holders, FCF - free cash flow.

5. Conclusion

The dividend policy is very critical for a firm since it is hard to set a target payout ratio as Black (1776) documented that "The harder we look at the dividend picture, the more it seems like a puzzle, with pieces just don't fit together." Various research studies have tried to solve this puzzle and provide significant findings. However, from a number of findings on the dividend policy, agency cost theory and information-signalling theory have gained most favor on the experiential basis. Recently, many studies (mainly in the case of developed countries) on dividend policy reported the results in favor of both theories. Therefore, in an effort to fill up this lack of consent, this study explores the response of Pakistani market to announcements of dividends. Results of this study show that announcements of dividends are pursued by considerable abnormal gains (positive with increase in dividend and negative with decrease in dividend). Detailed analysis of this study indicates that abnormal gains are bigger in the existence of blockholders in small firms. These results support the signalling theory against of agency cost theory. Due to the results of this study, it will be appealing to examine (in succeeding years) whether the future gain of firm is associated with its information signalling. For future research, results of this study can be replicated in the other countries with their own legal protection and ownership system than Pakistan and the impact of these factors on dividend policy can be studied. In addition, future studies can also investigate the influence of each type of blockholders⁴ since the coefficient of this variable shows the preference of various blockholders.

Acknowledgment

The authors would like to thank the Deanship of Scientific Research at King Saud University represented by the research center at CBA for supporting this research.

⁴ Types of block-holders are insider block-holders and outsider block-holders.

References:

Adjaoud, F. (1984). The Information content of dividends: A Canadian test. Canadian Journal of Administrative Sciences, 1: 338–351.

Adjaoud, F. (1986). The Reluctance to Cut Dividends: A Canadian Case. Finance, 7: 169–181.

Adjaoud, F., Zeghal, D. (1998). Management views on dividend policy: A survey of Canadian firms. International Review of Accounting, 3: 57–71.

Adjaoud, F., Chkir, I., Saadi, S. (2007). What Drives Canadian Corporate Dividend Policy: Agency Cost or Information Asymmetry? 6th Global Conference on Business, Economics.

Allen, F., Bernardo, A. E., Welch, I. (2000). A theory of dividends based on tax clienteles. Journal of Finance, 55: 2499–2536.

Amihud, Y., Li, K. (2006). The declining information content of dividend announcements and the effect of institutional holdings. Journal of Financial and Quantitative Analysis (forthcoming).

Ang, J. S., Cole, R. A., Wuh, L. J. (2000). Agency costs and ownership structure. The Journal of Finance, 55: 81–106.

Asquith, P., Mullins, D. (1983). The impact of initiating dividend payments on shareholders wealth. Journal of Business, 56: 77–96.

Atiase, *R. K.* (1980). Predisclosure informational asymmetries, firm capitalization, earnings reports, and security price behavior around earnings announcement. Unpublished Ph.D dissertation, University of California, Berkeley.

Atiase, R. K. (1985). Predisclosure information, firm capitalization and security price behavior around earnings announcements. Journal of Accounting Research, 23: 21–36.

Baker, H. K., Saadi, S., Gandhi, D., Dutta, S. (2006). How Canadian managers view dividend policy: New survey evidence, Proceeding of forthcoming 55th Annual Meeting of the Midwest Finance Association, March 23–25, Chicago, Illinois.

Baker, H. K., Powell, G. E., Veit, E. T. (2002). Revisiting the dividend puzzle: Do all of the pieces now fit? Review of Financial Economics, 11: 241–261.

Bhagat, S., Black, B., Blair, M. (2001). Relational investing and firm performance, Working paper, Stanford University, Stanford, California.

Bhattacharya, S. (1979). Imperfect information, dividend policy and the bird in the hand fallacy. Bell Journal of Economics, 10: 259–270.

Black, F. (1976). The dividend puzzle. Journal of Portfolio Management, 2, 5-8.

Brav, A., Graham, J. R., Harvey, C. R., Michaely, R. (2005). Payout policy in the 21st century. Journal of Financial Economics, 77: 483–527.

Brealey, R. A., Myers, S. C. (2003). Principles of Corporate Finance, McGraw Hill, New York.

Brown, S., Warner, J. (1985). Using daily stock returns: The case of event studies. Journal of Financial Economics, 14: 3–31.

Byrd, J., Parrino, R., Pritch, G. (1998). Stockholder-manager conflicts and firm value. Financial Analysts Journal, 54: 14–30.

Chan, K. C., Chen, N. (1991). Structural and return characteristics of small and large firms. The Journal of Finance, 46: 529-554.

DeAngelo, H., DeAngelo, L. (2006). The irrelevance of the MM dividend irrelevance theorem. Journal of Financial Economics, 97: 293–315.

DeAngelo, H., DeAngelo, L., Skinner, D. J. (2004). Are dividends disappearing? Dividend concentration and the consolidation of earnings. Journal of Financial Economics, 22: 425–456.

Dutta, S., Jog, V., Saadi, S. (2005). Re-examination of the ex-dividend day behavior of Canadian stock Prices 2005 European Financial Management Association meetings, Milan, Italy.

Easterbrook, F. H. (1984). Two agency costs explanations of dividends. American Economic Review, 74: 650–659.

Faccio, M., Lang, L. H. P., Young, L. (2001). Dividends and expropriation. American Economic Review, 91: 54–78.

Fama, E. F., French, K. R. (2001). Disappearing dividends: Changing firm characteristics or lower propensity to pay? Journal of Financial Economics, 60: 3–43.

Fama, E., French, K. (1996). Multifactor explanations of asset pricing anomalies. Journal of Finance, 51: 55-84.

Grinstein, Y., Michaely, R. (2003). Institutional holdings and payout policy. Journal of Finance, 60: 1389–1426.

Grullon, G., Michaely, R., Swaminathan, B. (2002). Are dividend changes a sign of firm maturity? Journal of Business, 75: 387–424.

Grullon, G., Michaely, R., Benartizi, S., Thaler, R. (2005). Dividend changes do not signal changes in future profitability. Journal of Business, 78: 1659–1682.

Gugler, K., Yurtoglu, B. (2003a). Average Q, marginal Q and the relation between ownership and performance. Economics Letters, 78: 379–84.

Gugler, K., Yurtoglu, B. (2003b). Corporate governance and dividend pay-out policy in Germany. European Economic Review, 47: 731–758.

Healy, P., Palepu, K. G. (1988). Earnings information conveyed by dividend initiations and omissions. Journal of financial Economics, 21: 149–176.

Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. American Economic Review, 76: 323–329.

Jensen, M. C., Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3: 305–360.

John, K., Williams, J. (1985). Dividends, dilution, and taxes: A signalling equilibrium. Journal of Finance, 40: 1053–1070.

Lang, L. H. P., Litzenberger, R. H. (1989). Dividend announcements: Cash flow signalling vs. free Cash flow hypothesis. Journal of Financial Economics, 24: 181–191.

La Porta, R., Lopez-De-Salinas, F., Shleifer, A., Vishny, R. (2000). Agency problems and dividend policy around the world. Journal of Finance, 55: 1–33.

Li, K., Zhao, X. (2005). Dividend policy: The role of analyst coverage, University of British Columbia, Working Paper.

Lie, E. (2000). Excess funds and agency problems: An empirical study of incremental cash disbursements. Review of Financial Studies, 13: 219–247.

Lintner, J. (1956). Distribution of incomes of corporations among dividends, retained earnings and taxes. American Economics Review, 46: 97–113.

Miller, M. H., Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. Journal of Business, 34: 411–433.

Miller, M., Rock, K. (1985). Dividend policy under asymmetric information. Journal of Finance, 40: 1031–1051.

Moh'd, M. A., Perry, L. G., Rimbey, J. N. (1995). An investigation of dynamic relationship between agency theory and dividend policy. Financial Review, 30: 367–385.

Morck, R., Stangeland, D. A., Yeung, B. (2000). Inherited wealth, corporate control, and economic growth: The Canadian disease, in Morck, R. (ED.), Concentrated Corporate Ownership, University of Chicago Press, Chicago, Illinois, 319–369.

Morck, R., Shleifer, A., Vishny, R. (1988). Management ownership and market valuation: An empirical analysis. Journal of Financial Economics, 20: 293–351.

Nissim, D., Ziv, A. (2001). Dividend changes and future profitability. Journal of Finance, 56: 2111–2133.

Noronha, G. M., Shome, D. K., Morgan, G. E. (1996). Monitoring rationale for dividends and the interaction of capital structure and dividend decisions. Journal of Banking and Finance, 20: 439–454.

Osobov, I. (2004). Why are dividends disappearing: An international comparison, 2004 FMA Annual Meeting, New Orleans, Los Angeles.

Roe, M. (2004). The institutions of corporate governance Working Paper, Harvard Law School, Cambridge, MA.

Rozeff, M. S. (1982). Growth, beta and agency costs as determinants of dividend payout ratios. Journal of Financial Research, 5: 249–259.

Yoon, P. S., Starks, L. (1995). Signalling, investment opportunities, and dividend announcements. Review of Financial Studies, 8: 995–1018.

White, L. F. (1996). Executive compensation and dividend policy. Journal of Corporate Finance, 2: 335–358.

Стаття надійшла до редакції 15.03.2013.