Individual Investors' Perceptions towards Dividends: The Case of Greece

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Abstract

This study is based on the assumption that there exists a strong preference for dividends among individual investors in Greece. Its main objective is to explore the driving forces that lead retail investors to reveal their preference for either cash or stock dividends. Several of the most important dividend theories were employed in order to test the behaviour of Greek individual investors towards dividends. The results reveal strong evidence that individual investors in Greece want dividends. Their answers provide strong support for the signalling theory of Bhattacharya (1979). Greek individual investors' behaviour is inconsistent with the uncertainty resolution theory of Gordon (1961, 1962), the agency theories of Jensen (1986) and Easterbrook (1984) and the transaction costs theory of dividends (Allen and Michaely, 2003). In addition the behavioural finance theory of Shefrin and Statman (1984) is only confirmed regarding stock dividends. The tax disadvantage theory of dividends is expectedly not confirmed since dividends as well as capital gains are not being taxed in Greece at the individual level.

Key words: *Dividends, individual investors, dividend theories, behavioural finance, Greek tax system, questionnaire survey.*

JEL classification: G30; G35; G38

1. Introduction

The payout decisions a financial manager has to undertake refer to the choice between paying dividends and repurchasing shares. The better understanding of the payout depends on the investigation of the payout decisions of a firm in isolation from other financial decisions (see: Brealey, Myers and Allen, 2005). Our understanding of corporate dividend policy is based on the individual investors' behaviour regarding their dilemma between cash and stock dividends, from the early work of Miller and

Modigliani (1961) and Gordon (1961) to the more recent theories of behavioural finance (see: Shefrin and Statman, 1984; Baker and Powell, 1999; Statman, 2005).

Miller and Modigliani (1961) showed that in a perfect and complete market where there are no taxes, no transaction costs, no asymmetric information and agency problems, dividend policy is irrelevant since individuals can overturn managers' decisions on dividend policy by buying or selling equity on their own[1]. In most countries dividends have been taxed more heavily than capital gains. Thus, the irrelevance theory combined with the inevitable higher taxation of dividends makes corporate dividend policy a puzzle.

In order to shed more light on the dividend puzzle that was earlier discussed by Black (1976), Dong, Robinson and Veld (2005) surveyed a Dutch panel of families who answered on individual matters of finance and consumption. They did not include institutional investors in their survey since they wanted to focus on individual investor behaviour and decisions. Our study focuses on the behaviour of Greek individual investors who hold shares of listed companies in the Athens Stock Exchange; directly or indirectly through investment funds.

Empirical research regarding individual investor preferences on dividend policy in Greece provides a significant positive effect, since the Greek taxation system concerning the individual level does not tax either dividends or capital gains at all. This tax exemption for Greek individual investors gives us an opportunity of testing dividend theories in isolation from the tax effect on dividend policy, which takes effect in other European countries and in the US. The purpose of our paper therefore is to specify the Greek individual investor beliefs regarding corporate dividend policy that was also examined by Brav *et al*. (2005). The main difference is that they asked financial managers to answer instead of asking individual investors directly. Nevertheless, Brav *et al*. (2005) concluded that they could only make assumptions regarding investors' preference towards dividends since they focused on the perception of dividends by managers' point of view. In our survey therefore we do not try to assume but to secure the fact that individual investors want dividends, as Dong, Robinson and Veld (2005) have done one year earlier.

[1] When dividends are high, investors can buy more stock and when dividends are low, investors can sell some of the stock, something that makes dividend policy irrelevant (Dong, Robinson and Veld, 2005).

2. Theoretical background

2.1 Theory on cash dividends

Miller and Modigliani (1961) developed the so-called 'dividend irrelevance' theory claiming that dividend policy can become irrelevant under some specific assumptions. Another important issue raised by Miller and Modigliani (1961) trying to abandon one of their basic assumptions – the perfect market conditions – is that "…from the standpoint of dividend policy, what counts is not imperfection per se but only imperfection that might lead an investor to have a systematic preference as between a dollar of current dividends and a dollar of current capital gains" (Miller and Modigliani, 1961, p. 431).

The dividend theory involving the transaction costs is another significant issue of corporate dividend policy. According to Allen and Michaely (2003) if an investor wants to receive a regular and fixed income, he may choose between two alternative options. The first is to buy back stocks that pay dividends in order to cash in the dividends and receive income. The second is to buy stocks that do not pay dividends and simultaneously, on a scheduled and regular basis to sell part of his portfolio of stocks.

Gordon (1961) focused on the so-called uncertainty resolution theory of dividends ("bird in the hand" theory). The main concept of this theory is that dividends are preferred due to their lower risk opposed to the higher risk of capital gains' uncertainty. A great deal of studies however shows that this model fails when it is posited in a perfect and complete market where investors behaved as rational investors (see: Miller and Modigliani, 1961; Bhattacharya, 1979).

Companies that pay healthy dividends are often thought to be relatively honest and reliable and less influenced by accounting manipulations. Healthy dividends is an indication that company generates real earnings that are being grown over a long period of time. Shefrin and Statman (1984) proposed the "behavioural life-cycle" theory that is based on self-control of the rational individual investor. This theory refers mainly to investors who prefer to consume from dividends. Such individual investors are elderly people who not longer have a regular labour income (see: Dong, Robinson and Veld, 2005). The behavioural theory of Shefrin and Statman (1994) supports the view of the normal investor since they found that their model is strongly dependent on emotional and cognitive biases. This view is also consistent with Fama and French (2004) who claimed that individual investors care not only about money, but are also interested in the pleasure of holding high growth stocks.

Jensen (1986) linked the dividend policy decisions with free cash flows. The choice of firms between maintaining their cash flows for investment plans and using their cash flows to pay cash dividends was a topic of research for many scholars. According to Jensen (1986) managers, due to the conflicts between managers and shareholders, often prefer undertaking projects with negative net present value in order to increase the magnitude of the firm, rather than paying cash dividends. Black (1976) claimed that firms that pay dividends to shareholders, could moderate a possible problem of overinvestment. This is due to the fact that the cash available for paying dividends, is taken from the amount of free cash flow and as a result free cash flow is reduced and the problem is alleviated.

According to Easterbrook (1984) agency costs are affected by the fluctuations of dividends and stem from the firm's effort to increase its free cash flow. If dividends increase, free cash flow decreases and the agency problem is mitigated. On the other hand if dividends decrease, free cash flow increases and the agency problem deteriorates (see: Rozeff, 1982). Easterbrook (1984) suggested that firms have the ability to maintain themselves in the capital markets with the use of dividends. This may lower agency costs.

The information signalling theory of dividends is the dividend theory that explains the dividend "puzzle" from the information content point of view. According to Brealey, Myers and Allen (2005) the underlying of this theory is that managers, in order to avoid reducing dividends, prefer a lower payout ratio and only if the future seems propitious do they decide to increase dividends. Therefore, dividends may well become a signal for investors because of the existence of management's asymmetric information. A confirming and supporting view of this theory belongs to Bhattacharya (1979) who claimed that the existence of information asymmetries between managers and outside investors could play a signalling role regarding dividends. This view regarding the signalling effect is also consistent with Miller and Rock (1985).

According to Dong, Robinson and Veld (2005) share buy back serves as an alternative for cash dividends. Either cash dividends or common stock repurchases are useful in order to mitigate the agency problems (see: Easterbrook, 1984; and Jensen, 1986). A great deal of research indicates that common stock repurchases may also signal that the stock of a company, which buys back its shares, is undervalued. According to Comment and Jarrell (1991) and Ikenberry, Lakonishok and Vermaelen (1999; 2000) the common stock repurchase announcements are closely related to significantly positive abnormal returns, a result that supports the undervaluation hypothesis of common stock repurchases.

Miller and Modigliani (1961) suggested that when income is taxed at a higher level than capital gains, firms should try to conform their dividend policies in order to reach a point of agreement to the shareholders. Miller and Scholes (1978; 1982) proposed that investors, in order to avoid paying taxes on dividends, could lever their buying of equities. According to the Organisation for Economic Co-operation and Development and the Greek Tax Reform of 2002, capital gains and dividends are tax exempt regarding the individual investor while they are being taxed only at a company level.

2.2 Theory on stock dividends

DeBondt and Thaler (1995) claimed that besides firms paying cash dividends there are other firms that prefer "paying" stock dividends. Stock dividends are much more similar than dissimilar to stock splits. Stock dividends can prove more advantageous relative to the lower transaction costs. With a stock dividend, the transaction costs are lower because the dividend is invested again in the same stock. However, the disadvantage of a stock dividend is that for the small individual investor it could prove a more expensive solution (see: Dong, Robinson and Veld, 2005).

As mentioned earlier, in the Greek tax system, stock dividends as well as cash dividends are not being taxed at an individual level. According to Dong, Robinson and Veld (2005) relative to the behavioural finance theory (see: Shefrin and Statman, 1984) stock dividends are preferred over cash dividends especially when a firm does not have free cash flow available for paying cash dividends.

2.3 The main findings

Baker, Veit and Powell (2001) stressed the importance of dividend decision making for managers arguing that managers care a lot about these decisions due to the fact that they affect the firm's value and consequently the wealth of stockholders. Baker, Powell and Veit (2002) focused on the managerial perspectives on dividend policy investigating the opinions of a group of NASDAQ firms that regularly paid cash dividends. The first important result is that managers of these NASDAQ firms strongly believe that dividend policy matters, something, which means that dividend policy influences stock prices. This result is inconsistent with the irrelevance theory of Miller and Modigliani (1961) probably due to the imperfections of market. Respondents also agreed with the signalling hypothesis of Bhattacharya (1979) arguing that investors believe that dividends serve as signals of the firm's future prospects and profitability. However respondents were not that positive regarding the increase in stock prices due to an unexpected increase in dividends. The responding managers did not give evidence of the 'bird in the hand' theory. Regarding the tax effect hypothesis and the agency cost explanations, surprisingly managers gave little or no support.

Brav *et al.* (2005) investigated the payout policy in the 21st century in order to specify the factors that affect payout policy. More specifically, they investigated cash dividends and share repurchases asking managers for the view of individual investors. According to the survey of Brav *et al*. (2005) tax effect theory seems to be of second-order importance for the respondents either for cash dividends or for share repurchases.

Managers believe that the only class of investors that would prefer cash dividends instead of share buy backs is retail investors. Regarding the signalling role of dividends and the issue raised about whether their changes convey information to investors, almost 80 per cent of the managers claimed that cash dividend changes do convey information to outsiders.

Based on the study of Brav *et al*. (2005), Dong, Robinson and Veld (2005) conducted the only survey that examined directly the preferences of individual investors and not the managers and financial executives' point of view in the Netherlands. The method they have used was based on a questionnaire survey they submitted to the internet-based panel of CentERdata and was presented to 2,723 members of CentERdata in 2002. Almost 61 per cent of the respondents answered that they like their stocks to pay dividends revealing in that way a strong preference for cash dividends. This belief regarding the importance of dividend policy does not confirm the dividend irrelevance theory of Miller and Modigliani (1961).

The theory of transaction costs that was investigated did not find strong support as well as the "bird in the hand" theory, the free cash flow and agency theories of Jensen (1986) and Easterbrook (1984) respectively. The strongest support was shown for the signalling theories of Bhattacharya (1979) and Miller and Rock (1985). All statistical measures were found significant, indicating the belief of individual investors that changes in dividends do convey information about the future prospects of the firm.

The results on stock dividends seemed quite interesting. Although stock dividends are much more like a stock split and unlike cash dividends, only 29.8 per cent believe that this statement is true. Regarding transaction costs, individual investors prefer receiving on average stock dividends rather than cash dividends. Finally, investors continue to be indifferent regarding the tax disadvantage of either cash or stock dividends.

3. Methodology

3.1 Questionnaire structure and development

The only survey that focused on the individual investors' point of view belongs to Dong, Robinson and Veld (2005) who examined the attitude of Dutch individual investors. Our questionnaire survey therefore intends to add value to the existing literature, since it refers to the attitude of Greek individual investors towards dividends. An additional incentive for this research is the fact that this is the first survey conducted in Greece on the practice of corporate dividend policy in terms of investment and dividend issues. The questionnaire is a modified version of the questionnaire of Dong, Robinson and Veld (2005) adopted for the Greek capital market.

To test the validity of the questionnaire, twelve randomly selected individual investors from Greece (four from Eastern Macedonia and Thrace, four from Central Macedonia, and four from Western Macedonia) were contacted and interviewed during June 2006. They were asked to identify their preferences towards cash and stock dividends as well as other corporate dividend policy issues. After this qualitative preliminary study, the questions in the first draft of our questionnaire were modified and improved.

According to Dong, Robinson and Veld (2005) the only instigation in planning the survey instrument was to design the questions in a sensible, practical and easy way in order to capture the substance of the dividend hypotheses and theories. Since our goal was therefore to test these theories, questions should be easy for the respondents to understand and answer. Thus, apart from several modifications in the initial questionnaire, a translation in the Greek language was imperative to accomplish our goals. We translated the questionnaire in a plain, clear and unambiguous manner to make it easier to answer. Our questionnaire consists of 30 questions. The first four questions are general and refer to the identification of the nature of the investors, whether they are direct, indirect or both. Questions 5-26 refer to cash dividends only. The last questions 27-30 refer to the comparison of cash and stock dividends regarding stock dividends as small stock splits, transaction costs and behavioural finance theories. The last section of the questionnaire points out some general demographic information of the respondents such as age, monthly income and educational level. The survey was conducted by mailing and e-mailing questionnaires and as a result the identity of the respondents remained unknown. That gave us the advantage of having more sincere and straightforward answers.

3.2 Sample selection

Five questionnaires were e-mailed to each of the 150 randomly selected stock exchange companies asking them to distribute the questionnaires to their customers. In total, 750 questionnaires were sent to potential respondents.

In order to achieve a fully representative sample, we asked the stock exchange companies to distribute the questionnaire to investors from all investment groups so that the average responded investor would have the same or similar experience, knowledge, income and educational level as the average investor in Greece. Another advantage is that we did not include non-investors in our survey. Since the survey was conducted by mailing questionnaires to the customers of stock exchange companies we avoided receiving answers from respondents who did not hold shares directly or investment funds indirectly. Therefore, our sample had the necessary homogeneity in order to be more accurate and reliable as for the results.

The last attempt in order to increase our response rate was made at the end of May 2007 resulting 248 completed questionnaires received, with a satisfying response rate of 33.06 per cent. The response rate of our survey was relatively high compared to prior studies (see: Baker and Powell, 1999; Baker, Veit and Powell, 2001; Baker, Powell and Veit, 2002; and Baker, Mukherjee and Paskelian, 2005).

3.3 Responses

A significant number of respondents (59.30 per cent) currently own stocks of Athens Stock Exchange (ASE) listed companies. Investment funds on the other hand are not so ‘popular’ to our respondents (7.66 per cent). Investors who prefer investment funds appear to have a strong view that investment funds pay more reliable dividends (71.50 per cent). Furthermore, the majority of the respondents are below the age of 55 years (77.41 per cent), are above average income (71.37 per cent)[2] and are not university educated (67.34 per cent). Another significant part of the statistical overview of the respondents is the correlations between the different groups of respondents. As was expected and according to the results of Dong, Robinson and Veld (2005) age and education are negatively correlated. Simultaneously, older investors tend to be wealthier. However as opposed to the results of Dong, Robinson and Veld (2005), income and educational level do not seem to be positively correlated, something that is a common phenomenon in Greece, that is university educated people in their majority do not tend to earn much more compared to those without university degrees.

Regarding the age of the respondents the average age is 43.37 years. This shows that the average Greek respondent individual investor is not that old in age, something we expected to ascertain.

4. Results

4.1 Results on cash dividends

Appendix A includes tables referring to cash and stock dividends as well as to general dividend questions. Since our main purpose was to confirm the several dividend theories that were described above, tables 1 and 2 display results only regarding the group of all investors. Regarding the sub-samples based on differences in age, educational level and monthly income of respondents, we only mention those results that seem important.

Table 1 (Appendix A) includes the responses to the questions for cash dividends and it is displayed with each question at a time. The significance of results regarding the 'all investors' group, measures whether the mean and median scores are significantly different from 4, which reveals the positive or negative tendency of investors towards dividend theories since 4 is the neutral score. The first question (question 7) asks whether Greek individual investors want dividends or not. Possible answers vary from 1 ('I do not want dividends') to 7 ('I want dividends') with a neutral score of 4, which means that the respondent is indifferent regarding dividends. The mean for the whole sample is 5.23 and the *t*-value is 14.525. The median is 5 with a binomial *p* of 0.0000 The percentage above the neutral score of 4 is 78.69 per cent while the one below 4 is only 8.20 per cent. We can observe a big difference, something that clearly shows that Greek individual investors do want dividends. Therefore the dividend irrelevance theory of Miller and Modigliani (1961) is not confirmed, a result that is in line with the results of Dong, Robinson and Veld (2005) and Brav *et al*. (2005).

The second theory tested refers to the transaction costs as a motive power for Greek individual investors to want dividends because of transaction costs. The mean score for this question is 3.58 with a *t*-value of –3.850. The median score for this question is 4 and the binomial *p* value is 0.0000. Only 24.90 per cent of the respondents indicate a score higher than 4 while 44.40 per cent indicate that respondents' attitude is below the neutral score of 4. Both mean and median are significantly different from 4. Opposed to the results of Dong, Robinson and Veld (2005) Greek individual investors do not view transaction costs as an important factor because we observe a large amount of responses equal to 4.

The uncertainty resolution theory (Gordon, 1961) is the third theory tested in our survey. According to this theory investors show a preference for stocks that pay dividends because they believe that they are less risky. However as was also observed in Dong, Robinson and Veld's study (2005) all investors have the opposite attitude towards the above statement. Greek individual investors believe that high dividend yield companies are more risky than low dividend yield companies with a percentage of 46.19 per cent above the neutral score of 4. The mean score is 4.04 and the *t*-value is 0.3680. Our results are in accordance with Baker *et al*. (2002) as well as with the results of Dong, Robinson and Veld (2005) who found no support for the uncertainty resolution theory.

The presumption that dividends offer protection against accounting manipulations is also not strongly supported. The fourth theory suggests that dividend-paying stocks offer more certainty about the companies' future earning prospects as well as companies that pay dividends are less likely to "cook the books". Greek individual investors seem not to favour the idea that dividends serve as a signal for companies' "real" earnings. A significant point regarding the demographic groups is the difference in the age groups. Younger investors reject the above statements opposed to the older ones who agree up to a point with dividends offering protection against accounting manipulations. Finally, there is a general agreement between our results and the results of Dong, Robinson and Veld (2005) who rejected all hypotheses regarding accounting manipulations. Additionally and similar to Dong, Robinson and

Veld (2005) our results are inconsistent with free cash flow and agency costs theories (see: Appendix A).

A strong confirmation was established regarding the signalling theory of Bhattacharya (1979) and Miller and Rock (1985). Mean and median scores for the whole sample are significant. Greek retail investors believe that dividends serve as signals regarding the future performance and profitability of a company. Our results regarding the signalling theory of Bhattacharya (1979) are consistent with the results of Dong, Robinson and Veld (2005) and Brav *et al*. (2005). According to Dong, Robinson and Veld (2005) there seems to be an inconsistency between the signalling theory and the uncertainty resolution theory. However they claim that the important point of the inconsistency is the change in dividend payments and not the level of dividends that signals the future prospects and earnings of a company. Therefore the belief of investors that dividend-paying stocks are riskier is not contradictory to the signalling result.

Regarding the taxation of dividends, results do not seem surprising since in Greece dividends and capital gains are not taxed for the individual investor. Therefore a large part of the respondents (67.68 per cent) was positive and in favour of dividends. The strongest preference for cash dividends exists in the demographic groups of older and of higher income class investors who probably care more for the safeguard of their wealth. Generally, investors try to avoid having incomes that are heavily taxed and consequently reveal a negative attitude towards the taxation of dividends regarding either cash or stock dividends. Finally, the behavioural finance theory of dividends is not confirmed, similarly to Dong, Robinson and Veld (2005) who simply suggest that the contradiction of the theory is due to the high and heavy transaction costs.

4.2 Results on stock dividends

The first theory that is being tested here is the perception of dividends as small stock splits. It is worth mentioning that respondents with a higher educational level and not that much older in age give the most accurate responses regarding this theory. The vast majority of respondents believe that a stock dividend is more like a stock split than a cash dividend in contrast to Dong, Robinson and Veld (2005) (see: Table 2).

The second theory tested regarding stock dividends is transaction costs. Transaction costs do not play a significant role for Greek individual investors regarding either cash or stock dividends.

Finally the behavioural finance theory regarding the preference between stock dividends or no dividends at all, finds strong support in our survey since a large part of the whole sample (75.21 per cent) prefers to receive a stock dividend than no dividend at all. This result is also in line with the results of Dong, Robinson and Veld (2005), which show the same tendency. This applies for all the investors and sub-samples. However it is stronger for respondents, who own only stocks of individual companies have a high income and are university educated.

5. Conclusions and further research

Results of our study revealed that the vast majority of investors did show a strong preference for dividends. A large percentage of the whole sample showed a significant preference towards cash dividends. Only a small number of investors, probably the wealthier and the most "contemporary investing minds" showed a slight preference for stock dividends. Perhaps the basic idea behind this statement is that this group of Greek individual investors is the one that cares more for the growth and expansion of their investment and not for the amount of cash currently holding.

The investigation of dividend theories also led us to another significant result. Greek individual investors tend to consume a large part of their dividends. Although they consume more from their salary, they do not save their dividends either for further investment or for saving their money. Our survey shows that Greek investors invest in order to earn money and use it directly for final consumption. Besides, they probably view cash dividends and basic salary together as a single uniform amount of cash available for consumption purposes. The consumption of basic consumer goods in Greece is held at high levels although there is a general dissatisfaction regarding low salaries, pensions, social security and high price levels. All these ideas that have been expressed above, led us to the conclusion that Greek retail investors, due to specific economical circumstances in Greece, are most interested in the augmentation of their cash and not in the growth of their investments.

The dividend theory that found strong support in our survey is the *signalling theory* (Bhattacharya, 1979). The Greek individual investors believe that an increase or a decrease in dividends paid may serve as a signalling device regarding the future prospects of a company. Thus the investigation of the level of dividends by Greek investors has always been a way of finding the most “suitable” stocks to invest. Although investors have this perception regarding the signalling role of dividends, the future performance of a company is not always based on this indication. Therefore considering dividend fluctuations as the only signal for investing often leads to misinterpretations.

Regarding stock dividends, Greek individual investors showed a strong preference for the behavioural finance theory that was first expressed by Shefrin and Statman (1984). They tend to prefer stock dividends rather than no dividends at all even though they correctly perceive that stock dividends are nothing more than small stock splits. This result shows that Greek investors want evident profits when investing. They are not satisfied holding stocks or investment funds that do not “pay” them. They want to receive more tangible earnings even though they only get nothing more than a split of their stocks.

Due to the lack of literature regarding the preference of individual investors towards dividends we propose that more surveys could take place for further research in other countries too. The importance of the results could prove very helpful for individual investors of all countries in order to gain knowledge in investments as well as a more suitable and proper way of investing their money in stocks or investment funds. The presentation and investigation of the most important dividend theories is a way that leads to a better understanding of the notion of investments towards all existing investors and those who intend to invest in the future. Further research of this subject could also be warranted in order to renew and update the existing knowledge with the possible emergence of new dividend theories. The constant alteration of worldwide economical, political and financial circumstances demands a continuous updating of investing methods, rules and standards.

Further research could be done in Greece regarding companies and institutional investors too, asking professional investors about individual ones and could probably perform this survey again some years later. These extensions could add to our research more depth, validity as well as safety regarding our results. In general the results of our survey are an indication of how the Greek individual investors feel regarding dividends, the consumption of dividends, the preference between cash and stock dividends and other issues relative to investments.

The conclusions we reached seemed to be very important since they reflected a wider perception of the behaviour of individual investors in Greece. A more literary conclusion that we could make is that investing in stocks or investment funds is a complicated and sophisticated area of finance. Everything seems to 'work' under several specific circumstances and not at random. Investors must be guided by all these specific rules in order to invest along with their instinct. Personal instincts and tendencies often have positive outcomes when they are used properly, along with rules and standards. To conclude we could say that the field of finance we tried to cover through this survey gave us the urge and interest to work further in the future in order to expand our knowledge and provide to all interested parts useful insights regarding the continuously changing world of investments.

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Appendix A:

***Table 1*: Results on cash dividends**

Theories tested		Statistics (All investors)						
		Mean	**t-stat**	**Median**	***Asymp. Sig. (2-tailed)***	**% > 4**	**% < 4**	***N***
Irrelevance theory								
	Question 07	5.23**	14.525	5***	0.000	78.69	8.20	244
Transaction costs								
	Question 08	3.58**	-3.850	4***	0.000	24.90	44.40	241
Uncertainty resolution								
	Question 09	4.04	0.368	4	0.301	46.19	37.50	210
	Question 10	3.78*	-1.700	4**	0.001	39.01	49.33	223
	Question 11	3.45***	-4.954	3***	0.000	26.45	56.61	242
Accounting manipulations								
	Question 12	4.18*	1.747	4	0.110	41.45	31.62	234
	Question 13	3.50***	-4.437	3***	0.000	24.28	57.20	243
Behavioural finance								
	Question 14	3.59	-	4	-	-	-	246
	Question 15	3.79	-	4	-	-	-	248
	Question 16	3.50***	-5.832	-	-	11.93	46.50	243
Free cash flow								
	Question 17	3.60***	-38.790	3***	0.000	27.50	50.83	240
	Question 18	3.02***	-9.605	3***	0.000	13.08	64.56	237
Agency costs								
	Question 19	3.95	-0.468	4***	0.000	35.15	36.82	239
	Question 20	3.15***	-7.578	3***	0.000	21.00	21.99	241
Signalling								
	Question 21	5.28***	19.048	5***	0.000	78.81	2.02	236
	Question 22	2.57***	-20.087	3***	0.000	1.69	79.32	237
Choice between cash dividends and share buy-backs								
	Question 23	4.43***	5.337	4	0.895	49.35	12.55	231
	Question 24	4.80***	7.347	5***	0.000	64.76	16.67	210

Appendix A:

***Table 2*: Results on stock dividends**

Theories tested	Statistics (All investors)						
	Mean	**t-stat**	**Median**	***Asymp. Sig. (2-tailed)***	**% > 4**	**% < 4**	***N***
Stock dividends as small stock splits							
Question 27	5.08***	11.981	5***	0.000	74.65	8.29	217
Transaction costs							
Question 28	3.76***	-2.916	4***	0.000	10.33	27.68	242
Taxes							
Question 29	3.74***	-3.276	4***	0.000	7.17	24.89	237
Behavioural finance							
Question 30	5.03***	10.456	5***	0.000	75.21	14.05	242

Note: Tables 1 and 2 display responses to survey questions for cash and stock dividends from all investors (all respondents). The t-stat tests whether the mean is different from 4 (neutral score). The binomial-*p* [asymp. sig. (2-tailed)] tests whether the median is different from 4. %(>4) [%(<4)] are the percentage responses greater [less] than 4. *N* is the number of valid responses to each question. One asterisk (*) denotes mean and median responses are significantly different from 4 at the 0.10 level, (**) at the 0.05 level, and (***) at the 0.01 level.

Appendix A:

***Table 3*: Responses on general dividend questions**

General dividend questions	*Statistics*	*All investors*	*Statistics*	*Age below 55*	*Age above 55*	*High income*	*Low income*
5. Do you hold some shares in investment funds in addition to holding shares in individual companies directly, because investment funds pay more reliable dividends? (1=completely disagree; 4=neutral; 7=completely agree)	Mean	4.94***	Mean	5.00	4.81	4.62	5.35
	t-stat	3.925	% (> 4)	61.11	62.5	51.72	73.91
	Median	5	% (< 4)	16.67	25	27.59	8.69
	Asymp. Sig. (2-tailed)	0.126	*N*	36	16	29	23
	% (> 4)	61.54					
	% (< 4)	19.23	***t-stat***	0.357		1.524	
	N	52	***Asymp. Sig. (2-tailed)***	0.722		0.134	
	Statistics	*All investors*	*Statistics*	*Age below 55*	*Age above 55*	*High income*	*Low income*
6. Do you hold shares in investment funds only and no shares in individual companies, because investment funds pay more reliable dividends? (1=completely disagree; 4=neutral; 7=completely agree)	Mean	5.14***	Mean	5.06	5.40	5.07	5.29
	t-stat	41.040	% (> 4)	68.75	80.00	71.43	71.43
	Median	5	% (< 4)	12.5	20.00	21.43	0
	Asymp. Sig. (2-tailed)	0.078	*N*	16	5	14	7
	% (> 4)	71.43					
	% (< 4)	14.28	***t-stat***	-0.507		0.355	
	N	21	***Asymp. Sig. (2-tailed)***	0.618		0.727	

Note: Table 3 displays responses to general dividend questions from all investors and from smaller categories as well as from all demographic groups of age income and educational level. The *t*-stat tests whether the mean is different from 4. The binomial *p* [(asymp. sig. (2-tailed)] tests whether the median is different from 4. %(>4) [%(<4)] is the percentage responses greater [less] than 4. *N* is the number of valid responses to each question. One, two or three asterisks (*) denote these significance levels for difference in mean (median) between the pairs of demographic groups [one asterisk (*) denotes mean (median) is significantly different from 4 at the 0.10 level, two asterisks (**) at the 0.05 level, and three asterisks (***) at the 0.01 level.