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# Yes, Dividends Are Disappearing: Worldwide Evidence

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# Yes, Dividends Are Disappearing: Worldwide Evidence

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## Abstract

This study examines the patterns of payout policies worldwide. Utilizing data from a sample of more than 17,000 companies, from 33 different countries, we show that there is a significant worldwide decline in the propensity to pay dividends. Most of the decline is due to the payout policies of smaller and less profitable firms with comparatively more investment opportunities. We find that larger firms, firms with higher profitability, and firms with low growth opportunities have a greater propensity to pay dividends. The proportion of dividend payers varies substantially across industries as well. However, the proportion of firms paying dividends has declined over time, even after firms' characteristics are controlled for. Moreover, aggregate dividends are highly concentrated, in that they are paid only by a small group of firms. Our findings indicate that there has been a significant decline in the average dividend payout ratios over the years. The decline in the mean dividend payout ratios as well as the proportion of payers is much more pronounced in civil law countries.

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## 1. Introduction

The seminal work of Miller and Modigliani (1961), on dividend policy, gave birth to an extensive body of literature dealing with, and examining, the payout policies of firms in the US and elsewhere in the world. This interest on the empirics of dividends seems to have regained momentum following the publication of the paper by Fama and French (2001) that provided evidence indicating a significant shift in the dividend policies of US industrial firms. Specifically, Fama and French find a substantial decline in the proportion of firms paying dividends from a peak of 67% in 1978 to 21% in 1999. This decline is, in part, due to changes in the characteristics of the publicly traded firms toward (1) firms that have never paid dividends, (2) those with low or negative earnings, (3) smaller firms, and (4) those

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requiring larger investments. However, Fama and French find a significant decline in the propensity to pay dividends, even after controlling for these characteristics.

Taking a different path of analysis, DeAngelo, DeAngelo, and Skinner (2004) find that dividends paid by US industrial firms actually increased (225% in nominal, and 23% in real terms) over the 1978-2000 period. They attribute their findings to the high, and the increasing concentration of dividends, of the last two decades. Specifically, they find that the largest 25 and 100 dividend payers paid 55% and 82% of aggregate industrial dividends in the year 2000. Therefore, they conclude that not only are dividends not disappearing, but also that they are increasing and becoming more concentrated. The latter phenomenon, they argue, is due to the influence of the very large payers. DeAngelo, et. al., report a pattern of increasing concentration of dividends, attributable to a combination of a decline in the number of payers and an increase in the aggregate dividends. The decline of the number of payers (over the 1978-2000 period) was an artifact of acquisitions and financial distress: 57% of the firms that paid dividends in 1978 were subsequently delisted, due to having been acquired or merged. They report that most firms with very high earnings paid dividends in 2000. However, nearly half of industrial firms reported losses, and only few of these firms paid dividends. Among non-payers in 2000, a majority were firms with negative earnings (averaged over 1996-2000 period). Further, many of these were newly listed, and within the technology sector. DeAngelo, DeAngelo, and Skinner also show that the very large and the more profitable firms, who are also responsible for most stock repurchases, dominate the dividends scene. They further report that there are significant differences between the characteristics of the dividend-payer and non-payer firms. Their findings cast doubt on the importance of dividend clientele and signaling hypotheses as determinants of corporate dividend policy.

Several potential explanations have been offered as to the reason(s) for a declining propensity of firms to pay dividends. Most such arguments have focused on the possibility that improved corporate governance has reduced the need for dividends as a mechanism to control the agency problems of free cash flows.<sup>1</sup> The increasing incidence of share

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<sup>1</sup> Based on the premise that insiders may be tempted to squander any excess cash, the agency-theory based models of dividends hypothesize that outside shareholders have a preference for dividends (e.g., see Easterbrook, 1986, Jensen 1986). Within this framework, the findings of Fama and French regarding a “declining propensity to pay,” may be interpreted as a strengthening of corporate governance procedures, at least in the US. See, for example, Laporta, Lopez-de-Silanes, Shleifer and Vishny (2000), who rely on the

repurchases, the possible decline in the information content value of dividends, the observed lower transactions cost for consumption-initiated sale of shares owned, and the catering theory are also among these explanations. The catering theory of Baker and Wurgler (2004a,b) hypothesize that companies pay dividends to meet investor demand, and that the decline in propensity to pay dividends could be the result of shifts in investor sentiment away from dividends and to capital gains.<sup>2</sup> Although, Baker and Wurgler report some empirical evidence in support of their argument, a robust explanation has yet to be offered as to why investors may shift preferences.

Salas and Chahyadi (2006) utilize a unique decomposition technique to measure the propensity to pay dividends while controlling for the effects of size, profitability, growth opportunities and age of the firm. Their findings lead them to conclude that the propensity to pay dividends has, indeed, decreases. However, the rate of decrease has been only 34%, rather than the 46% reported by Fama and French. Additionally, they report that neither the tax nor the dividend premium helps explain the decline in the proportion of dividend payers. On the question of the reasons for the disappearing dividends, their findings are consistent with those of DeAngelo, DeAngelo, and Skinner, in that profitability and age of the firm are the most important explainers. Hobes and Prabhala (2005) also study the question, and report that idiosyncratic risk explains close to 40% of the disappearing dividends. They do not find catering to be of any significance, once the idiosyncratic risk factor is accounted for.

Examining the behavior of firms in the European Union, Eije and Megginson (2006) report an increasing concentration of dividends and earnings within the 15 EU countries, as well. Specifically, they report that the largest decile of the payers paid the 81% of the total dividends. Julio and Ikenberry (2005), on the other hand, report findings suggesting the reappearing of dividends. Specifically, they report a five percent increase in the proportion of US industrial firms paying dividends in the last five-year period covered by their study. However, after controlling for firm and industry characteristics, they find that the actual proportion of dividend payers is still lower than the expected proportion. Insofar as their

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strength of corporate governance mechanisms to show that dividend payout ratios are higher, on average, in countries with stronger legal protection of minority shareholders.

<sup>2</sup> For example, when the sentiment for non-payers is high, dividend premium (measured by the difference in the average market-to-book ratios between dividend-paying and non-paying firms) tends to be negative and the propensity to pay dividends tends to decrease. Therefore, firms cater sentiment-driven demand to determine their dividend payments.

observed small increase in the proportion of payers is concerned, they attribute it to the tax cut of 2003, and more to the natural maturing of firms listed in US markets in the 1990s.

Thus, few exceptions aside, little research has been published that deals with the payout policies of non-US companies. In particular, research on the phenomenon of the “disappearing dividends” is confined mostly to the US, and not much is available in the form of international evidence on this issue. LaPorta, Lopez-de-Silanes, Shleifer, and Vishny (2000), use a large data set from 33 countries to examine the payout policies of companies in different countries. However, they do not address the question of disappearing dividends. They do conclude that, due to a legal system that provides for stronger corporate governance and investor protection, firms in common law countries are more likely to pay dividends than those in civil law countries. Other international studies utilize data from a fairly limited number of countries in their sample. For example, Dennis and Osobov (2005) find declining propensity to pay in six most developed countries (US, UK, Japan, Germany, France, Canada). They report that, in these countries, larger and more profitable firms are more likely to pay dividend, and that the effect of growth opportunities on dividend payments is dependent on the country’s legal system. Further, the propensity to pay is observed to be declining even after controlling for these factors. Their evidence fails to support the catering theory, and lends support to the agency cost model instead.

In a study dealing with the behavior of UK firms, Renneboog and Trojanowski (2005) find evidence in support of a decrease in the propensity to pay dividends. The authors attribute this in part to the differences in the tax systems of the US and UK. They find that the UK dividend-payers are larger, more profitable, and less levered. Further, they also face fewer investment opportunities, and grow slower than non-payers. Their findings provide weak support for the argument that dividends are substitutes by share repurchases. Further, they report a positive relationship between concentration of ownership and the choice of dividends (instead of repurchases) for the payout method. Finally, Bancel, Bhattacharyya, and Mittoo (2005), in their survey study covering 16 EU countries, find that payout policy is determined by a complex interaction of firm’s ownership structure of the firm and the legal and institutions structure of its home country.

Therefore, little research addressing the question of whether dividends are disappearing, and the reasons behind such a phenomenon, has been conducted on non-US firms. This study is

intended to fill this gap, and to extend the literature by examining the propensity to pay dividends worldwide. Using a large sample of 17,106 listed firms, in 33 countries; this study is intended to investigate the possible disappearance of dividends at the international level, and the factors responsible for this phenomenon. For this purpose, we utilize data from the Worldscope database of Thompson One Banker Analytics, for the 1985-2006 period. Consistent with previous works, including that of Fama and French, utilities, financials, and firms with negative equity value are excluded. Our sample includes all firms for which Thompson contains financial statements, dividends, and market valuation data.<sup>3,4</sup> Needless to say, there were few (and in some cases no) traded firms in some of the developing, or less developed, markets prior to 1990. Indeed, organized exchanges did not even exist in some of these markets before this date. However, a wave of liberalization and globalization led to a significant increase in the number of listed companies in the post-1990 period. Naturally, our data, and conclusions, are subject to the biases driven by the availability of this data, and the method of coverage by Thompson.

## **2. Empirical Findings**

Table 1A reports the numbers of firms that paid dividend (payers), those that did not (non-payers), never payers, and former payers for each of the years covered by the study. It also reports the dividend payout ratios for the payers. These results indicate that the proportion of payers declined sharply from 87% to 53% over the 22-year period covered by this study. Strikingly, this decline is continuous and persistent over time, with a solid decrease in the proportion of payers. The number of firms that never paid dividends reached an all time high of 6201 (36%) at the end of 2006, from only 169 (10%) in 1986. This pattern becomes even more striking when we exclude the US firms from our data set as reported in Table 1B. The percentage of payers declines to 59% in 2006 from 96% in 1985.

Among non-payers, the proportion of never-payers does not exhibit a significant change from the 74% level in 1986 to the 78% level in 2006. In other words, the overwhelming

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<sup>3</sup> This information includes; total assets, aggregate earnings before interest, aggregate earnings available for common, investments, market values, book equity, market equity, book liability, change in treasury stock, research and development expenses, total dividends, dividend payout ratios and other ratios derived by using these information.

<sup>4</sup> Scant availability of the data prior to 1985 dictated the choice for starting with 1985.

majority of firms that do not pay dividends never do so.<sup>5</sup> This evidence also suggests that there is a significant change in the average (median) dividend payout ratio of dividend paying firms. Specifically, we observe a sharp decline in the payout rates from 41% (36%) in 1985 to 34% (29%) in the rest of the world. Globally (i.e., with the US included), the average (median) dividend payout ratio declined from 39% (34%) in 1985 to 34% (29%) in 2006. This decline is more striking, from 33% to 17%, when we consider all firms (including non- and never payers).

We next examine the proportion of payers and non-payers on a country-by-country basis. Table 2 reports the results, which indicate a steady decrease over the 1985-2006 period. In some markets such as Austria, Brazil, Chile, Spain, and Japan the decline in the proportion of payers is smaller than others. However, (in almost all markets) we observe decreases in this ratio, and most noticeably between 1993 and 2003. We note, however, that large changes in the proportion of payers, especially in the developing markets, could be partly attributed to the influence of the smaller firms that were newly listed between 1985 and 1990. Nonetheless, these results show that there are large decreases in the proportion of payers between 1985 and 2006; especially in the more developed and the larger markets. The steepest declines occurred in markets such as Australia (67%), Canada (60%), UK (56%), US (47%), and Germany (45%). An evaluation of proportion of payers in different sub-periods (e.g. 1995-2003) also confirms a worldwide decline in the propensity to pay. For example, the 1995-2003 declines in the proportion of payers are 13% for US, 28% for Canada, 33% for U.K, and 42% for Australia. The magnitude of the decline is significantly larger in many smaller and developing markets than it is in the more developed markets. However, the declines are observed across all markets, indicating that the proportion of dividend payers has declined not only in the developed markets but also in the developing markets. Therefore, the disappearance of dividends appears to be a worldwide phenomenon.

Panel B of Table 2 summarizes these results by the legal system of the countries studied. These results indicate that civil law countries are more likely to pay dividends than those

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<sup>5</sup> A closer evaluation of these results yields some support for the notion that dividends may be reappearing post-2003. (The same is observed for non-US firms, as well.) However, it may be pre-mature to interpret this as “reappearing of dividends”, as the increase in the proportion of payers is rather small. It should be noted that this rebound in dividend payments has taken place following the 2003 tax cut in the US, a growing world economy, and the coming of age/maturity of firms that went public during the 1990s.

falling in the common law category. The average proportions of payers in civil law and common law countries were 65% and 40%, respectively, in 2006. Further, the decline in the propensity to pay is significantly more pronounced in common law countries. The average proportion of payers in common law countries declined from 92% in 1985 to 40% in 2006, whereas it dropped from 80% to 65% in civil law countries. This difference becomes even more striking when we compare the gap between the maximum and minimum proportion of payers under the two legal systems. It is also interesting to note that the total number of non-payers and never-payers in our sample grew by a factor of 41.4 and 35.7 respectively, while the number of payers grew only by a factor of 6.3. Note also, that the low numbers of former-payers indicate that payers are usually the same firms that continue with their practice over time. The majority of newly listed firms tend to not pay dividends to their shareholders.

## ***2.1 Concentration of Dividends***

We next analyze the data to determine if dividends, and earnings, are concentrated at the global level, as they have been reported to be in the US. To this end, we compute the total dividends paid by the largest ten dividend-paying firms as a fraction of the aggregate amount of dividends by all firms in each country. We repeat the procedure for the earnings numbers as well. Results, as reported in Table 3, indicate that both dividends and earnings are highly concentrated among the largest firms: Almost two-thirds (66%) of the aggregate dividends paid by our sample of 9,121 firms, that did pay dividends in year 2006 were paid by the ten largest dividend-payers. This is consistent with the previous findings of DeAngelo et al, and Eije and Megginson. Note, also, that the average value for these percentages, over the entire sample period of 22 years, is 69%, and that the average value for last five years of this period is 66%. A country-by-country analysis leads us to conclude the same for other countries represented in our sample. The concentration is, indeed, over 90% in four of these countries: Denmark, Austria, Netherland, and China. Consistently high, it exceeds the 80% mark in Belgium, Finland, Norway, Italy, and Spain. For 2006, the ratio is less than 50% only in five countries: the US, Japan, Canada, India, Malaysia. Japan and the US exhibit the lowest concentration ratios, with 27% and 30% respectively (suggesting that dividends are much less concentrated in these two countries than the rest of the world).



Insofar as a possible trend in this concentration ratio is concerned, the data suggests a small decrease. Specifically, the average concentration ratio was 72% during the first five-year period covered by this study, and 66% during the last five-year period.<sup>6</sup> And, the same can be said for the US market. Only for five of these countries do we find evidence suggesting a slight increase in the concentration ratio over time.<sup>7</sup>

Analyzing the influence of the largest 25 firms, we find that (except for the US and the Japanese markets where the fractions fall below 50%) the fraction of dividends paid by the largest 25 payers (relative to the aggregate dividends paid) exceeds the 50% marker. Therefore, it can be argued that the high concentration ratio, observed at the global level, is not driven by the ratios of a few large markets like the US and the UK. On average, the fraction of dividends paid by the largest 25 dividend payers was 73% in 2006 and averaged to 75% for the 2002-2006 period.

## ***2.2 Trends in the Dividend Payout Ratios***

We now extend the analysis of Fama and French by evaluating the behavior of payout ratios in the 33 countries covered by our study. As discussed earlier, our data indicate that there has been a significant decline in the average payout ratios from 39% to 34% over this period. However, the results reported in Table 3-A show that, during the period covered by our study, aggregate dividends paid increased approximately by a factor of 15 to \$436.8 billion. From this pool, US companies paid approximately a total of \$50 billion, and \$386.7 billion is attributed to the rest of the world. Over our sample period, total dividends paid by non-US companies grew a factor of 28: A much more pronounced rate than the growth rate of total dividends paid by US firms. Further, as reported in Table 3-B, when we classify the payers by their countries, we find that 27% of the aggregate dividends are paid by firms in the UK and the US, and that 48% are attributed to firms in UK, US, Germany, France, and Japan. Therefore, we find a concentration in aggregate dividends of a different sort: Almost the half of aggregate global dividends paid by just five countries.

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<sup>6</sup> The decline in the concentration ratio is 3.42 percentage points when we compare the first and last values available.

<sup>7</sup> This number increases to eight countries when the first and last five years' figures are compared.

As reported in Table 3-C, the ratio of aggregate dividends to earnings for the payers' group has actually increased, albeit slightly from 24% (in 1985) to 28% (in 2006). This holds, also, when we compare the average payout ratios of the first and the last three years of this period. We also observe a substantial increase in the payout ratio in the rest of the world (excluding the US) from 20% in 1985 to 29% in 2006. Note also that median earnings have declined consistently, while mean earnings have remained fairly constant over this time period. On the other hand, total dividends as a percentage of earnings have shown a significant decline in the US (from 31% to 20%) while the proportion of firms that have positive earnings remained very high at 95% (was 97% in 1985). In contrast, for the rest of the world, the proportion of firms with positive earnings increased from 56% in 1985 to 74% in 2006. Therefore, our findings here indicate that the propensity to pay dividends has declined and that both earnings and dividends are very concentrated.

We also find large variations in dividend payout ratios, across the various countries, depending on their legal system such as common law or civil law. The results, presented in Panel A of Table 4, indicate that the mean dividend payout ratio of payers in common law countries is higher than that of civil law countries. Interestingly, the dividend payout pattern of firms in common and civil law countries differs from each other strikingly, especially in the post-1994 period. While civil law countries experience sharp decline in the mean payout ratio of payers, from 43% to 36%, in 2006, the mean payout ratio in the common law countries increased from 36% to 43% in the same period.<sup>8</sup> Panels B through F of Table 4 report the mean and median payout ratios of payers in 33 countries between 1985 and 2006. With the exception of Brazil, Denmark, France, Sweden, Thailand, and Taiwan, we observe a global decrease in the mean payout ratios between 1985 and 2006.

### ***2.3 Firm Characteristics of Payers and Non-payers***

The observed decrease in the proportion of payers can, of course, be attributed to the changing characteristics of firms, or to other factors fostering a degree of reluctance to pay dividends. To explore this, we analyze the characteristics of our representative firms over time, and in each country. We report the mean and median values of certain these characteristics in Table 5. These results reveal substantial differences between payers, non-payers and never-payers. Consistent with previous findings, payers are much larger (judged

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<sup>8</sup> Results do not change when we compare the first and last five years' data.

by either by median total assets, or by market capitalization), and more profitable<sup>9</sup> than non-payers. They also have fewer investment opportunities, and spend less in R&D than the non-payer group. For example, in 2006, the average median (mean) of total value of the assets of a dividend payer firm is \$220 million (\$2.741m), while it is only \$42 million (\$299m) for the non-payer firm. Judged by the measure of their market values, the corresponding numbers are \$456 million (\$2.929m) and \$65 million (\$545m). Dividend payers have a profitability ratio of 8.12% versus 1.20% for non-payers. Similarly, the average earnings before interest is \$146.86 million for payers, and \$13.63m for non-payers. This gap is even more striking when evaluate the net earnings measure: \$61.35m vs. \$0.01m. Further,  $V_t / A_t$ ,  $RD_t/A_t$ , and asset growth rates are larger for the non- and never-payers than they are for the dividend payers.<sup>10</sup>

An examination of the means and medians of these firm characteristics across the countries represented in our study confirms our findings for the overall sample.<sup>11</sup> On average, dividend payers are larger, more profitable, having less R&D expenditure, and are less leveraged than non-payers. This holds across all the countries examined. However, the relationship between dividend payments and growth opportunities is not uniform across all countries. There are also significant differences between common law and civil law countries. A time-series comparison of firm within each country indicates that the characteristics of the average firm move closer to those of the firms that are less likely to pay dividends in that country. That is to say that the characteristics of the average firm in each market trend toward those of a smaller, less profitable, and a more leveraged firm. Interestingly, up until 1996, non-payers have less leverage, and lower  $V_t / A_t$  than payers.

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<sup>9</sup> Profitability ( $E_t / A_t$ ) is measured as the ratio of earnings before interest (net income + interest expense) to the book value of total assets and as the ratio of after-tax earnings to the book value of equity ( $Y_t / BE_t$ ). Growth opportunities are measured as the ratio of the market value of total capital (book value of total assets – book value of equity + market value of equity) to the book value of total assets ( $V_t / A_t$ ). Firm size is represented by book value of total assets ( $A_t$ ). The market value of equity is measured as the market capitalization at fiscal year-end if available. Alternatively, market equity is measured as the number of shares outstanding times the year-end closing price of firm's stock. Leverage is measured as the ratio of book liability to the total assets.

<sup>10</sup> Although not reported, we observe that the change in treasury stock has a negative sign for payers and a positive one for non-payers. The negative change for payers indicates that dividend payers are also repurchasing their shares. Therefore, it appears that share repurchases are not used as a substitute for dividends, but instead complementarily. The positive change in the treasury stock measure for non-payers suggest that, on average, they do not repurchase their shares; They issue new shares to secure their additional funding needs, as dictated by their investment opportunities. We also note that the financial characteristics of never-payers are very similar to those of non-payers.

<sup>11</sup> Country-based statistics are not reported here due to space restrictions but can be obtained from the authors by request.

The pattern reverses for the 1996-2006 period, which may be attributed to the significant increase in the new listings across all markets.

Table 5-A reports the relative importance of dividend paying firms as measured by the fraction of aggregate values of earnings, investments, earnings, and other measures, attributed to them as a group. According to these results, payers account for 78-80% of the aggregate book values, and the aggregate market values of assets of all firms during the 1988-90 period when 83% of these firms paid dividends. Contrast this with the 2003-06 period, when only half of the firms pay dividends, and payers account for 87-88% of the aggregate book and market values of assets. Note also that even former payers are much larger than non-payers and never payers. Indeed, these former payers are about double the size of firms that never paid. During the latter part of this period, as the number of firms increases and the number of payers decreases, payers become even larger relative to non-payers. Dividend payers are also more profitable, as they account for a very large percentage of the aggregate earnings; higher than the percentage of the aggregate assets and market values that they represent.

To further study the influence of the policies of larger firms, we grouped the firms into size deciles by each year and by each country covered. These results, as reported in Table 5-B, indicate that although the proportion of payers decreases in all deciles, the largest decreases occur in the lower size deciles. For example, the proportion of payers in the smallest size group was 63% in 1985, and dropped to 21% by 2006. In the largest size group, we observe a much smaller decline from 97% to 82%<sup>12</sup>. Therefore, the propensity to pay dividend seems to decrease with the size of the firm<sup>13</sup>.

## ***2.4 Industry Effects***

Next, we undertake to study the possible effect of industry affiliation on the propensity to pay dividends. Accordingly, we classify our sample firms based on their SIC codes. Our results indicate that although the proportion of payers exhibits a steady decline over time, the proportions of dividend payers vary substantially across the 53 industries examined. As

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<sup>12</sup> The impact of size is even more striking for the US firms. While the average proportion of payers in the smallest deciles group dropped from 40% in 1985 to 10% in 2006, the proportion of payers in the largest deciles dropped from 93% to 64% during the same period.

<sup>13</sup> This holds in a country-by-country analysis as well.

reported in Table 6, the proportion of payers in certain industries such as building materials-hardware, tobacco, pete refining, food, and electric-gas-sanitary services (SIC codes: 52, 21, 29, 54, 49) is above 75% and significantly higher than that of other industries. In contrast, some industries such as metal mining, oil and gas extraction, mining-non metal minerals, health services, and business services (SIC codes 10, 13, 14, 80, 73), the proportion of payers remains below 35%.<sup>14</sup> Similar results are obtained when we repeat this analysis for each of the countries covered.

An analysis of the proportion of payers over time, at the industry-level, indicates that firms in the metal mining, mining-non metal minerals, communications, textile mill products, hotels, and furniture industries (SIC codes 10, 14, 48, 22, 70, and 25) exhibit the largest decreases in the proportion of payers. On the other hand, the proportion of payers increased for firms in membership organizations, legal services, government, admin-environmental quality, and museum-gallery (SIC codes 86, 81, 91, 95, 84)<sup>15</sup>. The proportions declined only modestly for firms in petroleum refining, building materials, home furniture, and water transportation (SIC codes 29, 52, 57, 44) relative to other industries examined. These results also indicate that industries with high contemporary proportions of payers are the same ones that held the same status in the past. A comparison of average payout ratios across the industries indicates that a few industries pay a relatively larger share of their earnings as dividends than do others. Specifically, the mean payout ratio is 45% and higher for firms in the electric-gas-sanitary services, holdings, and real estate (SIC codes 49, 67, and 65).<sup>16</sup> On the other hand, payout ratios are lower in the non-depository credit institutions and building materials-hardware industries.

Further, scrutinizing the characteristics of firms in different industries, we find that the size of the firm does not play a significant role. As a matter of fact, when we rank our industry groupings by their proportion of payers, we find that only two of the ten industries with the highest proportion of payers, are among the ten industries with the largest average firm size. Therefore, it can safely be concluded that the industry effect has a much more pronounced influence on the propensity to pay, then does firm size.

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<sup>14</sup> Industry-level proportions of payers are compared by averaging the first and last five years average annual proportions for each industry. We also checked the first and last years which provided similar results.

<sup>15</sup> The number of companies in these industries is very low, even less than ten.

## 2.5 The Changing Characteristics of Firms and Logit Regressions

To provide further evidence on the differences in the characteristics of payers and non-payers, and to assess the impact of changes in characteristics on the propensity to pay dividends, we utilize logit models that relate the probability of paying dividends to firm size, growth opportunities, and profitability. Data from the 1985-1995 period (the base period) is used to estimate the model's coefficients. These estimates are then used to compute the expected probability of dividend payments for each of the following periods, and compared to the actual rate of dividend payments. The differences between expected and actual rates are then used as proxies for changes in the propensity to pay dividends. The methodology is, therefore, similar to that of Fama and French. Our dependent variable assumes a value of one in year  $t$  if a firm pays dividends, and zero otherwise. Explanatory variables are  $E_t/A_t$ ,  $V_t/A_t$ ,  $dA_t/A_t$ , and  $NYP_t$ , as proxies for profitability, growth opportunities, and size, respectively<sup>17,18</sup>.

Table 7 reports the results from our annual logit regressions. Here, again (to isolate the effect of the data from the US sample), we have performed analysis by classifying the data into two groups, "global: including the US", and "rest of the world: excluding the US". Consistent with our prior univariate results, we find that the likelihood of paying dividends is positively related to firm size. The estimated coefficients for all variables have the expected signs, and are consistent with the findings of previous studies. Profitability and size both have estimates that are positive, and statistically significant. However, our proxy for investment opportunities,  $dA/A$ , has estimates that are negative, and significantly so, for most periods.

We, now, proceed to estimate the effect of these characteristics on the percentages of firms paying dividends. In line with our approach up to this point, we estimate the logit regressions for the base period of 1985-1995. Using these results, we arrive at an estimate of the proportion of payers. This is, in turn, is compared to the actual proportions. The difference, therefore, represents the change in the propensity to pay dividends, after the effect of the

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<sup>16</sup> These are the industries in which the number of firms is 100 or more. There are also some industries where the mean payout ratio is higher around 60% such as Admin-Quality Housing and Pipe Lines and Ex Natural Gas but the number of firms in these industries is very low.

<sup>17</sup>  $NYP_t$ , the proxy for a firm's size is the percentage of firms with the same or lower market capitalization as of the end of the firm's fiscal year.

<sup>18</sup> The median firm size in most countries decreases over time. This is probably an artifact of the influence of the newly listed companies and their smaller sizes.

firms' characteristics is controlled for. These differences between the actual and expected proportion of payers will be used as a measure of changes in the propensity to pay dividends.<sup>19</sup> Table 8 reports the expected proportion of payers for the forecast period of 1996-2006. Consistent with the presentation to this point, results for the global sample (including the US firms) are reported in Panel A, and those for the rest of the world are presented in Panel B. These results indicate, clearly, that the proportion of firms expected to pay dividends, after the changes in the characteristics of firms are accounted for, is consistently and universally higher than the actual percentage of firms paying dividends.<sup>20</sup> Interestingly, the difference between the expected proportions and the actual proportions of payers increases over time. These findings are consistent with those of Fama and French, who show that the spread between the expected and actual percent widens, and attribute the shortfall to a reduced propensity to pay.

For the sake of brevity, we will refrain from reporting the results by each country. However, our results indicate that, while these are significant differences across the sample, the differences between the expected proportions of payers and the actual proportions are as high as those in the US, and grow wider over time in the majority of our sample countries.<sup>21</sup> Thus, it is clear that the declining proportion of payers (once changes in characteristics are accounted for) is a global phenomenon, present both in the developed and the emerging markets. The changing characteristics of listed firms (toward those that are less profitable, smaller, more leveraged, and having more growth opportunities) explains only part of the decline in the propensity to pay dividends of firms.

It can be argued that the declining propensity to pay dividends may be attributable to the tax disadvantage of dividends.<sup>22</sup> A compelling counter-argument, however, is that repurchases can not fully explain this phenomenon; Repurchases are undertaken primarily by payers (and not by never-payers), and their magnitude is quite small. Furthermore, share repurchases are not legally allowed in many of the countries in our sample. (Rules governing repurchases

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<sup>19</sup> Regressions for the base period utilize only the data from the payers group. The average annual coefficients are used to compute the probability of dividend payments for each firm in following years based on their characteristics in that year. Taking the averages of probabilities of each firm in each year, we compute the expected proportion of payers, which is then compared with the actual proportion of payers.

<sup>20</sup> The only exception is 1997 for the global sample.

<sup>21</sup> These are available from the authors.

<sup>22</sup> See Bagwell and Shoven (1989), and Dunsby (1995) for evidence in support of the hypothesis that a substitution of share repurchases for dividends, generates tax savings. See also Grullon and Michaely (2002) for evidence indicating that a shift away from dividends to repurchases represents a substitution effect.

have been liberalized in some of civil law countries such as Japan, Germany and France.)<sup>23</sup> Additionally, as Grullon and Ikenberry have shown, firms that pay dividends are similar in type to those that repurchase shares. In other words, the available empirical evidence shows that repurchases and dividends are complements, not substitutes.

## **2.6 Robustness of Results**

To test for the robustness of our logit regression findings, and to deal with the potential misspecification problems in these regressions, we employ a portfolio approach similar to that utilized by Fama and French. For each year covered, we construct 27 portfolios by sorting firms into three equal groups on the basis of variables used to measure their profitability, investment and growth opportunities, and size.<sup>24</sup> Sample firms are first divided into three groups on the basis of market capitalization. These portfolios are then divided into three profitability classes, resulting in nine portfolios. These nine portfolios are subsequently divided into three groups based on growth (low, medium, high). For each of the 27 portfolios, thus obtained, we estimate the base period probability of paying dividends as the sum of the number of payers divided by the number of firms in the portfolio.

Results as reported in Table 9 indicate that larger firms are more likely to pay dividends after controlling for profitability,  $E/A$ , and investment opportunities,  $V/A$  or  $dA/A$ . More profitable firms are more likely to pay dividends after controlling for size and investment opportunities. Firms classified into higher profitability portfolios (i.e., high  $E/A$  firms) have higher proportion of payers in the base period, than those in the low  $E/A$  portfolios. Further, firms with more investments are less likely to pay dividends. Additionally, high  $V/A$  portfolios in a given size group typically have lower proportions of payers than the low  $V/A$  portfolio. Consider 2006 for example: the proportion of payers among the small and the very profitable firms that have high  $V/A$  is 39.8%, compared to that of firms with a low  $V/A$  at 57%. The group with the lowest proportion of payers consists of firms with low market capitalization, low-to-medium profitability (as proxied by  $E/A$ ), and high investment opportunities (as proxied by  $V/A$ ). Additionally, the steepest drop in the proportion of payers (when comparing the proportion of payers for each of the 27 portfolios during the base

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<sup>23</sup> Share repurchases have long been legal in common law countries like the US and the UK. These activities gained momentum in the 1990s, following the adoption of the so-called harbor rule by SEC to protect firms from allegations of manipulation in 1982.

<sup>24</sup> This approach addresses the misspecification problem by letting the probabilities of base period to change with the characteristics of the firms.



period versus the average of the last five years) occurs in portfolios of high V/A and low E/A firms, especially in the small size portfolios. In general, the decline is more pronounced for the smaller firms. Interestingly, however, the proportion of payers also decreased sharply, from 88% to 23% in the largest-size group with low profitability and high investment outlays. The smallest decline is observed to take place in the portfolio of the largest firms with high profitability and low investment outlays (from 92% to 82%). Consistent with previous findings, this group (of large firms with high and medium E/A and low V/A) had the highest proportion of payers both during the base period (higher than 90%) and as of 2006 (higher than 80%). Although these proportions are higher in magnitude than those reported by Fama and French, they are consistent with their findings.

When dA/A (rather than V/A) is used as a proxy for growth opportunities, the proportion of payers is found to be smaller across almost all portfolios. However, with only a few exceptions, these results are similar to our earlier findings. For example, the proportion of payers is found to be higher in high dA/A groups (compared to low dA/A groups) especially for the small and medium size portfolios. In other words, firms with high growth opportunities are less likely to pay dividends in small size and low profitability portfolio. Noticeable decreases are also observed in the percentages of payers in small and medium size firms with low profitability. Additionally, over time, the proportion of payers declines sharply for low growth firms of small size and low profitability.

Next, we estimate the expected proportions of payers for all 27 portfolios for the period following the base period, and compare these expected values to the actual proportions. Our results, reported in Table 10 are consistent with our previous findings: While the expected proportion of payers remains almost constant at around 77%, the actual proportion of payers has decreased significantly. The gap between the expected and actual percentages of payer has widened over time to reach to 25% in 2006.

Summarizing, the results of the portfolio approach indicate that the changing characteristics of firms (to a profile of smaller firms that are less profitable and face high investment outlays) is the primary factor responsible for the decrease in the proportion of firms that pay dividends. However, even after controlling for the influences of these changing characteristics, a significant decline in the proportion of payers is observed. This leads us to conclude that the propensity to pay dividends has decreased over time.

### 3. Conclusions

Fama and French's findings provide evidence in support of the notion that there has been a significant decline in the propensity of US firms to pay dividends. However, only a few studies have focused their attention on the pattern of dividend payments at an international level. This study is designed to make a contribution to this body of literature and fill this gap. We investigate the pattern of dividend payments, and their trend over time, in 33 different countries over the 1985-2006 period. Utilizing data from a large sample of more than 17,000 firms, we find a substantial variation in the propensity to pay dividends at the global level. However, the common trend across these markets is a declining tendency to pay dividends. Specifically, over the 22 years covered by this study, the proportion of payers has declined sharply from 87% to 53%. Importantly, this decline is persistent and consistent over the sub-periods, and across all 33 countries studied. Therefore, these results indicate that there has been a significant decline in the propensity to pay dividends worldwide. The inevitable conclusion, therefore, is that dividends are disappearing at the global level.<sup>25</sup>

We also identify a number of cross-sectional determinants of the propensity to pay dividends. We find that larger firms, firms with higher profitability, and firms with lower growth opportunities have a greater propensity to pay dividends. Our results indicate that the changing characteristics of the publicly traded firms to those typified by the smaller firms that are less profitable and that face more investment opportunities, explains a significant portion of the decline in the proportion of dividend payers. However, the proportion of firms paying dividends exhibits a significant decline even after controlling for such factors.

As expected, we also find that the proportion of dividend payers varies substantially across industry lines. For example, the proportion of payers in industries such as building materials, hardware, tobacco, petroleum refining, food, electric, gas, and sanitary services is above 75%, and significantly higher than that of other industries. In contrast, the proportion

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<sup>25</sup> However, in line with Julio and Ikenberry's results for US firms, that a small (but significant) pattern of reappearing dividends may be afoot, we also find some evidence in support of the notion that global dividends may be on their way back. Specifically, we observe a small increase in the proportion of payers in the post-2003 period. The generally positive state of world economy in the pre-2007 period, and the coming of age of the large number of firms that went public during the 1990s, may be the primary factor responsible for this small rebound. Therefore, the evidence may be insufficient to be interpreted as a reappearing of dividends.

of payers is well below 35% in industries such as metal mining, oil and gas extraction, mining, non-metal minerals, health services, and business services. The lowest proportion of payers is comprised of firms with low market capitalization, low-to-medium profitability, high investment outlays, and high rates of asset growth.

Our findings also indicate that there has been a significant decline in the average payout ratios of dividend payers. Each country's legal system also exerts a significant influence on the dividend payout ratios of its corporate sector, i.e., variations are observed to be dependent on whether the country's legal system conform to common law or civil law. Although the proportion of payers is lower in common law countries, than it is in civil law countries, we observe a sharp decline in the mean dividend payout ratios of firms in civil law countries. This takes place at the same time that a significant increase is observed to have taken place in common law countries. These results indicate that starting with 1994, the mean dividend payout ratios of firms in common law countries have been consistently higher than those of the firms in civil law countries.

Additionally, our results indicate that dividends exhibit a high degree of concentration, as they are paid by a limited number of large and profitable firms. For example, as much as 66% of the aggregate dividends paid in 2006 (by the 9,121 firms that did pay dividends) were paid by the ten largest dividend-payers.<sup>26</sup> However, this concentration does exhibit wide variations with regard to the countries studied. Whereas it exceeds 90% in some countries, it is at its lowest in Japan and the US, at 27% and 30%, respectively. Also worthy of note is the observation that, the average fraction of dividends paid by the largest 25 payers over the 2001-2006 period stands at 75%; an increase of around four percentage points relative to the beginning of the period studied.

These results indicate that the phenomenon of disappearing dividends, first reported by Fama and French for the US firms, is global. It is present in other markets, developed and developing alike. The changing characteristics of the average publicly traded firm (to the smaller and less profitable firm, that requires high investment outlays) are the primary factor behind the declining proportion of firms that pay dividends. However, the decline in the

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<sup>26</sup> These findings are consistent with the earlier results of DeAngelo, et al. (2004), and Eije and Megginson (2006)

proportion of payers, and a lower propensity to pay does persist, even after controlling the changing characteristics of firms.

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Table 1-A: Summary Statistics: The Number of Dividend Payers and Non-Payers, Never Payers and Former Payers, Means and Medians of Payout Ratios, Numbers (and Percentages) of Payers and Non-Payers by Year, 1985-2006 for all Countries.

Payers pay dividends in year  $t$ ; non-payers do not. The two subgroups of non-payers are firms that have never paid and former payers (firms that do not pay in year  $t$  but did pay in a previous year).

|  | 1985           | 1986           | 1987           | 1988           | 1989           | 1990           | 1991           | 1992           | 1993           | 1994           | 1995           | 1996           | 1997           | 1998           | 1999           | 2000           | 2001           | 2002           | 2003           | 2004           | 2005           | 2006           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>All Firms</b>                                 | 1434           | 1623           | 2059           | 2433           | 2697           | 3052           | 3556           | 3855           | 4105           | 4823           | 5519           | 6459           | 6997           | 8047           | 9128           | 10837          | 12407          | 13388          | 13895          | 14928          | 15714          | 17106          |
| <b>Mean of Dividend Payout Ratio of Payers</b>   | 38.47          | 37.72          | 36.84          | 33.47          | 33.94          | 35.08          | 36.50          | 37.65          | 38.19          | 35.77          | 35.04          | 34.97          | 33.56          | 34.58          | 33.58          | 33.14          | 35.33          | 36.64          | 35.90          | 34.49          | 34.10          | 33.81          |
| <b>Median of Dividend Payout Ratio of Payers</b> | 34.23          | 34.25          | 33.12          | 29.88          | 29.65          | 30.84          | 32.19          | 33.54          | 34.23          | 31.43          | 30.65          | 30.23          | 28.93          | 29.78          | 28.92          | 28.29          | 30.12          | 31.59          | 31.21          | 29.49          | 28.94          | 28.57          |
| <b>Payers</b>                                    | 1246<br>(86.9) | 1393<br>(85.8) | 1707<br>(82.9) | 2020<br>(83.0) | 2236<br>(82.9) | 2529<br>(82.9) | 2883<br>(81.1) | 3048<br>(79.1) | 3157<br>(76.9) | 3418<br>(70.9) | 3867<br>(70.1) | 4425<br>(68.5) | 4642<br>(66.3) | 4951<br>(61.5) | 5282<br>(57.9) | 5882<br>(54.3) | 6427<br>(51.8) | 6843<br>(51.1) | 7208<br>(51.9) | 7809<br>(52.3) | 8367<br>(53.2) | 9121<br>(53.3) |
| <b>Non-Payers</b>                                | 188<br>(13.1)  | 230<br>(14.2)  | 352<br>(17.1)  | 413<br>(17.0)  | 461<br>(17.1)  | 523<br>(17.1)  | 673<br>(18.9)  | 807<br>(20.9)  | 948<br>(23.1)  | 1405<br>(29.1) | 1652<br>(29.9) | 2034<br>(31.5) | 2355<br>(33.7) | 3096<br>(38.5) | 3846<br>(42.1) | 4955<br>(45.7) | 5980<br>(48.2) | 6545<br>(48.9) | 6687<br>(48.1) | 7119<br>(47.7) | 7347<br>(46.8) | 7985<br>(46.7) |
| <b>Never Payers</b>                              | 0<br>(10.4)    | 169<br>(10.4)  | 202<br>(9.8)   | 284<br>(11.7)  | 343<br>(12.7)  | 387<br>(12.7)  | 444<br>(12.5)  | 571<br>(14.8)  | 674<br>(16.4)  | 805<br>(16.7)  | 1201<br>(21.8) | 1469<br>(22.7) | 1773<br>(25.3) | 2061<br>(25.6) | 2635<br>(28.9) | 3246<br>(30.0) | 4200<br>(33.9) | 5106<br>(38.1) | 5453<br>(39.2) | 5662<br>(37.9) | 5907<br>(37.6) | 6201<br>(36.3) |
| <b>Former Payers</b>                             | 0<br>(0.9)     | 14<br>(0.9)    | 25<br>(1.2)    | 21<br>(0.9)    | 28<br>(1.0)    | 49<br>(1.6)    | 76<br>(2.1)    | 100<br>(2.6)   | 122<br>(3.0)   | 142<br>(2.9)   | 108<br>(2.0)   | 150<br>(2.3)   | 203<br>(2.9)   | 329<br>(4.1)   | 354<br>(3.9)   | 392<br>(3.6)   | 468<br>(3.8)   | 617<br>(4.6)   | 514<br>(3.7)   | 413<br>(2.8)   | 367<br>(2.3)   | 485<br>(2.8)   |

Table 1-B: Summary Statistics: The Number of Dividend Payers and Non-Payers, Never Payers and Former Payers, Means and Medians of Payout Ratios, Numbers (and Percentages) of Payers and Non-Payers by Year, 1985-2006 for All Countries other than the U.S.

Payers pay dividends in year  $t$ ; non-payers do not. The two subgroups of non-payers are firms that have never paid and former payers (firms that do not pay in year  $t$  but did pay in a previous year).

|  | 1985          | 1986          | 1987           | 1988           | 1989           | 1990           | 1991           | 1992           | 1993           | 1994           | 1995           | 1996           | 1997           | 1998           | 1999           | 2000           | 2001           | 2002           | 2003           | 2004           | 2005           | 2006           |
|--|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>All Firms</b>                                 | 861           | 1024          | 1409           | 1714           | 1967           | 2299           | 2700           | 2950           | 3127           | 3471           | 3990           | 4755           | 5157           | 5957           | 6908           | 8460           | 9976           | 10902          | 11342          | 12199          | 12861          | 14085          |
| <b>Mean of Dividend Payout Ratio of Payers</b>   | 40.70         | 39.58         | 38.41          | 34.36          | 34.46          | 34.97          | 36.35          | 37.98          | 38.79          | 36.70          | 35.94          | 35.87          | 34.44          | 35.55          | 34.27          | 33.76          | 35.73          | 37.10          | 36.63          | 35.11          | 34.76          | 34.28          |
| <b>Median of Dividend Payout Ratio of Payers</b> | 35.95         | 35.90         | 34.85          | 30.33          | 29.99          | 30.62          | 31.74          | 33.54          | 34.77          | 32.17          | 31.52          | 31.30          | 30.08          | 30.90          | 29.67          | 28.92          | 30.36          | 32.25          | 32.14          | 30.27          | 29.75          | 29.23          |
| <b>Payers</b>                                    | 821<br>(95.4) | 966<br>(94.3) | 1268<br>(90.0) | 1556<br>(90.8) | 1764<br>(89.7) | 2055<br>(89.4) | 2393<br>(88.6) | 2563<br>(86.9) | 2657<br>(85.0) | 2878<br>(82.9) | 3297<br>(82.6) | 3847<br>(80.9) | 4059<br>(78.7) | 4354<br>(73.1) | 4682<br>(67.8) | 5297<br>(62.6) | 5851<br>(58.7) | 6277<br>(57.6) | 6598<br>(58.2) | 7097<br>(58.2) | 7579<br>(58.9) | 8290<br>(58.9) |
| <b>Non-Payers</b>                                | 40<br>(4.6)   | 58<br>(5.7)   | 141<br>(10.0)  | 158<br>(9.2)   | 203<br>(10.3)  | 244<br>(10.6)  | 307<br>(11.4)  | 387<br>(13.1)  | 470<br>(15.0)  | 593<br>(17.1)  | 693<br>(17.4)  | 908<br>(19.1)  | 1098<br>(21.3) | 1603<br>(26.9) | 2226<br>(32.2) | 3163<br>(37.4) | 4125<br>(41.3) | 4625<br>(42.4) | 4744<br>(41.8) | 5102<br>(41.8) | 5282<br>(41.1) | 5795<br>(41.1) |
| <b>Never Payers</b>                              | 0<br>-        | 30<br>(2.9)   | 44<br>(3.1)    | 95<br>(5.5)    | 116<br>(5.9)   | 146<br>(6.4)   | 178<br>(6.6)   | 229<br>(7.8)   | 290<br>(9.3)   | 362<br>(10.4)  | 420<br>(10.5)  | 542<br>(11.4)  | 686<br>(13.3)  | 854<br>(14.3)  | 1223<br>(17.7) | 1709<br>(20.2) | 2503<br>(25.1) | 3346<br>(30.7) | 3660<br>(32.3) | 3864<br>(31.7) | 4042<br>(31.4) | 4255<br>(30.2) |
| <b>Former Payers</b>                             | 0<br>-        | 8<br>(0.8)    | 11<br>(0.8)    | 13<br>(0.8)    | 18<br>(0.9)    | 37<br>(1.6)    | 65<br>(2.4)    | 90<br>(3.1)    | 104<br>(3.3)   | 131<br>(3.8)   | 98<br>(2.5)    | 130<br>(2.7)   | 180<br>(3.5)   | 317<br>(5.3)   | 336<br>(4.9)   | 357<br>(4.2)   | 436<br>(4.4)   | 585<br>(5.4)   | 489<br>(4.3)   | 396<br>(3.2)   | 338<br>(2.6)   | 451<br>(3.2)   |



Table 2: Panel A: Average Proportion of Payers (P) and Non-Payers (NP) for Each of the Countries Included. Grouped by Their Legal Systems: Civil Law Countries

|      | AUT   |       | BEL   |       | BRA    |       | CHE   |       | CHL    |       | DEU   |       | DNK   |       | ESP   |       | FIN    |       | FRA   |       |
|------|-------|-------|-------|-------|--------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|
|      | P     | NP    | P     | NP    | P      | NP    | P     | NP    | P      | NP    | P     | NP    | P     | NP    | P     | NP    | P      | NP    | P     | NP    |
| 1985 | 57.14 | 42.86 | 87.50 | 12.50 |        |       | 86.67 | 13.33 |        |       | 92.65 | 7.35  | 77.78 | 22.22 | 66.67 | 33.33 | 100.00 | 0.00  | 84.62 | 15.38 |
| 1986 | 85.71 | 14.29 | 69.23 | 30.77 |        |       | 92.31 | 7.69  |        |       | 87.50 | 12.50 | 90.00 | 10.00 | 75.00 | 25.00 | 100.00 | 0.00  | 91.11 | 8.89  |
| 1987 | 75.00 | 25.00 | 72.00 | 28.00 |        |       | 86.36 | 13.64 | 100.00 | 0.00  | 80.00 | 20.00 | 91.67 | 8.33  | 75.00 | 25.00 | 91.67  | 8.33  | 85.86 | 14.14 |
| 1988 | 76.92 | 23.08 | 88.46 | 11.54 |        |       | 90.20 | 9.80  | 87.50  | 12.50 | 82.80 | 17.20 | 88.00 | 12.00 | 84.62 | 15.38 | 87.50  | 12.50 | 86.67 | 13.33 |
| 1989 | 86.67 | 13.33 | 92.59 | 7.41  | 90.91  | 9.09  | 92.73 | 7.27  | 100.00 | 0.00  | 82.86 | 17.14 | 93.55 | 6.45  | 83.87 | 16.13 | 91.67  | 8.33  | 89.47 | 10.53 |
| 1990 | 86.67 | 13.33 | 96.43 | 3.57  | 84.62  | 15.38 | 93.44 | 6.56  | 92.86  | 7.14  | 85.42 | 14.58 | 89.47 | 10.53 | 87.50 | 12.50 | 93.94  | 6.06  | 91.97 | 8.03  |
| 1991 | 88.24 | 11.76 | 89.66 | 10.34 | 52.94  | 47.06 | 90.00 | 10.00 | 89.47  | 10.53 | 88.78 | 11.22 | 77.50 | 22.50 | 74.36 | 25.64 | 88.89  | 11.11 | 86.84 | 13.16 |
| 1992 | 84.21 | 15.79 | 79.31 | 20.69 | 73.33  | 26.67 | 85.00 | 15.00 | 100.00 | 0.00  | 85.86 | 14.14 | 73.33 | 26.67 | 75.61 | 24.39 | 64.10  | 35.90 | 86.75 | 13.25 |
| 1993 | 76.47 | 23.53 | 80.00 | 20.00 | 100.00 | 0.00  | 70.18 | 29.82 | 93.33  | 6.67  | 80.93 | 19.07 | 73.47 | 26.53 | 63.41 | 36.59 | 60.98  | 39.02 | 83.93 | 16.07 |
| 1994 | 68.42 | 31.58 | 79.31 | 20.69 | 100.00 | 0.00  | 65.57 | 34.43 | 91.89  | 8.11  | 75.32 | 24.68 | 73.08 | 26.92 | 64.29 | 35.71 | 68.18  | 31.82 | 75.56 | 24.44 |
| 1995 | 76.19 | 23.81 | 85.71 | 14.29 | 100.00 | 0.00  | 76.56 | 23.44 | 92.86  | 7.14  | 77.96 | 22.04 | 87.27 | 12.73 | 65.22 | 34.78 | 89.13  | 10.87 | 82.01 | 17.99 |
| 1996 | 80.77 | 19.23 | 87.50 | 12.50 | 100.00 | 0.00  | 78.95 | 21.05 | 93.62  | 6.38  | 74.37 | 25.63 | 78.57 | 21.43 | 64.00 | 36.00 | 89.09  | 10.91 | 77.22 | 22.78 |
| 1997 | 75.00 | 25.00 | 75.61 | 24.39 | 100.00 | 0.00  | 80.49 | 19.51 | 97.92  | 2.08  | 71.95 | 28.05 | 78.38 | 21.62 | 75.47 | 24.53 | 90.32  | 9.68  | 70.83 | 29.17 |
| 1998 | 80.00 | 20.00 | 75.93 | 24.07 | 75.00  | 25.00 | 82.61 | 17.39 | 92.06  | 7.94  | 69.21 | 30.79 | 78.75 | 21.25 | 65.45 | 34.55 | 95.59  | 4.41  | 73.79 | 26.21 |
| 1999 | 80.00 | 20.00 | 71.67 | 28.33 | 50.00  | 50.00 | 83.00 | 17.00 | 84.95  | 15.05 | 63.35 | 36.65 | 79.75 | 20.25 | 67.92 | 32.08 | 88.37  | 11.63 | 70.02 | 29.98 |
| 2000 | 75.00 | 25.00 | 70.49 | 29.51 | 74.12  | 25.88 | 80.53 | 19.47 | 89.47  | 10.53 | 52.08 | 47.92 | 75.58 | 24.42 | 70.59 | 29.41 | 79.38  | 20.62 | 65.29 | 34.71 |
| 2001 | 67.44 | 32.56 | 67.69 | 32.31 | 67.42  | 32.58 | 80.00 | 20.00 | 83.70  | 16.30 | 48.00 | 52.00 | 67.05 | 32.95 | 66.67 | 33.33 | 79.80  | 20.20 | 62.77 | 37.23 |
| 2002 | 60.47 | 39.53 | 63.08 | 36.92 | 59.56  | 40.44 | 62.28 | 37.72 | 87.76  | 12.24 | 45.70 | 54.30 | 55.06 | 44.94 | 62.34 | 37.66 | 76.77  | 23.23 | 59.08 | 40.92 |
| 2003 | 60.00 | 40.00 | 62.69 | 37.31 | 67.15  | 32.85 | 59.65 | 40.35 | 87.76  | 12.24 | 43.75 | 56.25 | 54.95 | 45.05 | 62.67 | 37.33 | 75.76  | 24.24 | 59.71 | 40.29 |
| 2004 | 68.18 | 31.82 | 71.88 | 28.13 | 67.59  | 32.41 | 64.10 | 35.90 | 88.78  | 11.22 | 44.39 | 55.61 | 57.78 | 42.22 | 67.57 | 32.43 | 82.47  | 17.53 | 60.13 | 39.87 |
| 2005 | 69.57 | 30.43 | 69.33 | 30.67 | 70.67  | 29.33 | 63.20 | 36.80 | 84.76  | 15.24 | 45.61 | 54.39 | 60.22 | 39.78 | 73.42 | 26.58 | 79.41  | 20.59 | 60.97 | 39.03 |
| 2006 | 66.67 | 33.33 | 63.64 | 36.36 | 75.95  | 24.05 | 65.89 | 34.11 | 85.98  | 14.02 | 47.79 | 52.21 | 65.26 | 34.74 | 73.56 | 26.44 | 77.78  | 22.22 | 61.67 | 38.33 |

Table 2, Panel A: (Continued)  
Average Proportion of Payers (P) and Non-payers (NP) for Civil Law Countries

|      | GRC    |        | ITA    |       | NLD   |       | NOR    |       | SWE    |       | TUR    |       |
|------|--------|--------|--------|-------|-------|-------|--------|-------|--------|-------|--------|-------|
|      | P      | NP     | P      | NP    | P     | NP    | P      | NP    | P      | NP    | P      | NP    |
| 1985 | 0.00   | 100.00 | 100.00 | 0.00  | 95.00 | 5.00  | 100.00 | 0.00  | 93.75  | 6.25  |        |       |
| 1986 | 50.00  | 50.00  | 100.00 | 0.00  | 95.24 | 4.76  | 66.67  | 33.33 | 100.00 | 0.00  |        |       |
| 1987 | 83.33  | 16.67  | 89.47  | 10.53 | 88.57 | 11.43 | 72.73  | 27.27 | 100.00 | 0.00  |        |       |
| 1988 | 100.00 | 0.00   | 93.48  | 6.52  | 88.37 | 11.63 | 60.00  | 40.00 | 100.00 | 0.00  |        |       |
| 1989 | 100.00 | 0.00   | 93.75  | 6.25  | 88.64 | 11.36 | 55.00  | 45.00 | 96.15  | 3.85  | 100.00 | 0.00  |
| 1990 | 100.00 | 0.00   | 85.71  | 14.29 | 81.48 | 18.52 | 50.00  | 50.00 | 93.33  | 6.67  | 100.00 | 0.00  |
| 1991 | 90.48  | 9.52   | 87.76  | 12.24 | 83.61 | 16.39 | 45.45  | 54.55 | 91.67  | 8.33  | 85.71  | 14.29 |
| 1992 | 88.57  | 11.43  | 83.67  | 16.33 | 80.33 | 19.67 | 53.33  | 46.67 | 80.43  | 19.57 | 87.50  | 12.50 |
| 1993 | 82.93  | 17.07  | 78.72  | 21.28 | 84.62 | 15.38 | 59.38  | 40.63 | 61.11  | 38.89 | 94.44  | 5.56  |
| 1994 | 80.36  | 19.64  | 75.51  | 24.49 | 88.41 | 11.59 | 78.13  | 21.88 | 67.80  | 32.20 | 100.00 | 0.00  |
| 1995 | 81.82  | 18.18  | 75.44  | 24.56 | 86.11 | 13.89 | 78.13  | 21.88 | 80.95  | 19.05 | 95.65  | 4.35  |
| 1996 | 84.62  | 15.38  | 75.81  | 24.19 | 80.52 | 19.48 | 76.32  | 23.68 | 84.93  | 15.07 | 86.11  | 13.89 |
| 1997 | 88.76  | 11.24  | 80.28  | 19.72 | 81.40 | 18.60 | 57.89  | 42.11 | 75.76  | 24.24 | 82.00  | 18.00 |
| 1998 | 86.17  | 13.83  | 78.48  | 21.52 | 74.47 | 25.53 | 54.84  | 45.16 | 68.85  | 31.15 | 71.64  | 28.36 |
| 1999 | 83.67  | 16.33  | 80.23  | 19.77 | 76.04 | 23.96 | 48.44  | 51.56 | 60.90  | 39.10 | 68.18  | 31.82 |
| 2000 | 77.30  | 22.70  | 72.22  | 27.78 | 70.00 | 30.00 | 50.65  | 49.35 | 51.81  | 48.19 | 51.82  | 48.18 |
| 2001 | 78.46  | 21.54  | 64.54  | 35.46 | 68.09 | 31.91 | 41.98  | 58.02 | 48.62  | 51.38 | 41.67  | 58.33 |
| 2002 | 72.66  | 27.34  | 65.99  | 34.01 | 65.96 | 34.04 | 35.63  | 64.37 | 44.55  | 55.45 | 21.17  | 78.83 |
| 2003 | 77.08  | 22.92  | 63.01  | 36.99 | 64.44 | 35.56 | 45.05  | 54.95 | 46.12  | 53.88 | 22.76  | 77.24 |
| 2004 | 77.37  | 22.63  | 60.53  | 39.47 | 64.95 | 35.05 | 46.08  | 53.92 | 46.02  | 53.98 | 22.22  | 77.78 |
| 2005 | 76.58  | 23.42  | 63.47  | 36.53 | 68.27 | 31.73 | 46.15  | 53.85 | 48.26  | 51.74 | 46.71  | 53.29 |
| 2006 | 72.40  | 27.60  | 64.29  | 35.71 | 66.67 | 33.33 | 42.31  | 57.69 | 50.80  | 49.20 | 52.71  | 47.29 |

Table 2, Panel A: (Continued)

Average proportion of payers (P) and non-payers (NP):  
Common Law Countries

|      | AUS   |       | CAN   |       | GBR   |       | NZL    |       | USA   |       |
|------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|
|      | P     | NP    | P     | NP    | P     | NP    | P      | NP    | P     | NP    |
| 1985 | 96.00 | 4.00  | 88.10 | 11.90 | 99.14 | 0.86  | 100.00 | 0.00  | 74.17 | 25.83 |
| 1986 | 95.83 | 4.17  | 82.35 | 17.65 | 96.30 | 3.70  | 100.00 | 0.00  | 71.29 | 28.71 |
| 1987 | 90.00 | 10.00 | 74.65 | 25.35 | 94.12 | 5.88  | 100.00 | 0.00  | 67.54 | 32.46 |
| 1988 | 84.62 | 15.38 | 76.32 | 23.68 | 94.89 | 5.11  | 100.00 | 0.00  | 64.53 | 35.47 |
| 1989 | 76.67 | 23.33 | 70.79 | 29.21 | 94.48 | 5.52  | 75.00  | 25.00 | 64.66 | 35.34 |
| 1990 | 74.60 | 25.40 | 68.32 | 31.68 | 92.98 | 7.02  | 100.00 | 0.00  | 62.95 | 37.05 |
| 1991 | 70.77 | 29.23 | 65.05 | 34.95 | 88.12 | 11.88 | 100.00 | 0.00  | 57.24 | 42.76 |
| 1992 | 67.65 | 32.35 | 60.19 | 39.81 | 85.44 | 14.56 | 87.50  | 12.50 | 53.59 | 46.41 |
| 1993 | 71.43 | 28.57 | 56.52 | 43.48 | 86.28 | 13.72 | 87.50  | 12.50 | 51.12 | 48.88 |
| 1994 | 72.50 | 27.50 | 55.93 | 44.07 | 84.30 | 15.70 | 92.86  | 7.14  | 39.94 | 60.06 |
| 1995 | 71.30 | 28.70 | 53.74 | 46.26 | 86.65 | 13.35 | 93.75  | 6.25  | 37.28 | 62.72 |
| 1996 | 69.35 | 30.65 | 48.19 | 51.81 | 81.88 | 18.12 | 88.89  | 11.11 | 33.92 | 66.08 |
| 1997 | 72.73 | 27.27 | 47.92 | 52.08 | 75.93 | 24.07 | 100.00 | 0.00  | 31.68 | 68.32 |
| 1998 | 62.84 | 37.16 | 34.90 | 65.10 | 76.44 | 23.56 | 86.21  | 13.79 | 28.56 | 71.44 |
| 1999 | 53.82 | 46.18 | 28.57 | 71.43 | 73.91 | 26.09 | 86.21  | 13.79 | 27.03 | 72.97 |
| 2000 | 39.77 | 60.23 | 25.00 | 75.00 | 64.00 | 36.00 | 75.68  | 24.32 | 24.61 | 75.39 |
| 2001 | 30.86 | 69.14 | 24.91 | 75.09 | 57.88 | 42.12 | 60.71  | 39.29 | 23.69 | 76.31 |
| 2002 | 28.70 | 71.30 | 23.65 | 76.35 | 54.83 | 45.17 | 53.23  | 46.77 | 22.77 | 77.23 |
| 2003 | 31.39 | 68.61 | 25.96 | 74.04 | 53.34 | 46.66 | 59.68  | 40.32 | 23.89 | 76.11 |
| 2004 | 29.48 | 70.52 | 26.00 | 74.00 | 50.37 | 49.63 | 62.69  | 37.31 | 26.09 | 73.91 |
| 2005 | 30.08 | 69.92 | 28.11 | 71.89 | 45.53 | 54.47 | 69.57  | 30.43 | 27.62 | 72.38 |
| 2006 | 28.89 | 71.11 | 28.56 | 71.44 | 43.41 | 56.59 | 70.59  | 29.41 | 27.51 | 72.49 |

Table 2, Panel A: (Continued)

Average Proportion of Payers (P) and Non-payers (NP):  
Civil Law and Common Law Countries

|      | THA    |       | ZFA    |       |
|------|--------|-------|--------|-------|
|      | P      | NP    | P      | NP    |
| 1985 |        |       | 95.24  | 4.76  |
| 1986 |        |       | 95.65  | 4.35  |
| 1987 | 100.00 | 0.00  | 100.00 | 0.00  |
| 1988 | 100.00 | 0.00  | 100.00 | 0.00  |
| 1989 | 100.00 | 0.00  | 100.00 | 0.00  |
| 1990 | 80.00  | 20.00 | 100.00 | 0.00  |
| 1991 | 96.88  | 3.13  | 100.00 | 0.00  |
| 1992 | 100.00 | 0.00  | 100.00 | 0.00  |
| 1993 | 91.67  | 8.33  | 92.86  | 7.14  |
| 1994 | 89.23  | 10.77 | 89.13  | 10.87 |
| 1995 | 82.43  | 17.57 | 93.33  | 6.67  |
| 1996 | 81.37  | 18.63 | 88.24  | 11.76 |
| 1997 | 77.40  | 22.60 | 90.48  | 9.52  |
| 1998 | 35.19  | 64.81 | 67.91  | 32.09 |
| 1999 | 43.83  | 56.17 | 61.08  | 38.92 |
| 2000 | 48.39  | 51.61 | 63.16  | 36.84 |
| 2001 | 54.78  | 45.22 | 53.23  | 46.77 |
| 2002 | 62.35  | 37.65 | 57.06  | 42.94 |
| 2003 | 69.60  | 30.40 | 63.33  | 36.67 |
| 2004 | 69.65  | 30.35 | 67.98  | 32.02 |
| 2005 | 74.65  | 25.35 | 67.20  | 32.80 |
| 2006 | 72.63  | 27.37 | 63.96  | 36.04 |

Table 2, Panel A: (Continued)

Average Proportion of Payers (P) and Non-payers (NP): Civil Law/Common Law and Customary Law Countries

|      | CHN   |       | ISR   |        | JPN   |       | KOR    |       | TWN    |       | HKG   |       |
|------|-------|-------|-------|--------|-------|-------|--------|-------|--------|-------|-------|-------|
|      | P     | NP    | P     | NP     | P     | NP    | P      | NP    | P      | NP    | P     | NP    |
| 1985 |       |       |       |        | 98.91 | 1.09  | 100.00 | 0.00  |        |       | 95.24 | 4.76  |
| 1986 |       |       |       |        | 97.37 | 2.63  | 100.00 | 0.00  |        |       | 95.83 | 4.17  |
| 1987 |       |       |       |        | 94.60 | 5.40  | 100.00 | 0.00  |        |       | 96.55 | 3.45  |
| 1988 |       |       |       |        | 94.31 | 5.69  | 96.43  | 3.57  | 100.00 | 0.00  | 96.88 | 3.13  |
| 1989 |       |       |       |        | 91.30 | 8.70  | 95.00  | 5.00  | 100.00 | 0.00  | 94.59 | 5.41  |
| 1990 |       |       |       |        | 91.98 | 8.02  | 95.65  | 4.35  | 83.33  | 16.67 | 87.80 | 12.20 |
| 1991 |       |       |       |        | 94.27 | 5.73  | 90.74  | 9.26  | 64.71  | 35.29 | 90.74 | 9.26  |
| 1992 | 57.14 | 42.86 |       |        | 94.14 | 5.86  | 84.62  | 15.38 | 63.64  | 36.36 | 89.55 | 10.45 |
| 1993 | 33.33 | 66.67 | 0.00  | 100.00 | 93.45 | 6.55  | 85.71  | 14.29 | 51.28  | 48.72 | 91.04 | 8.96  |
| 1994 | 71.43 | 28.57 | 71.43 | 28.57  | 90.54 | 9.46  | 80.65  | 19.35 | 35.37  | 64.63 | 95.29 | 4.71  |
| 1995 | 77.97 | 22.03 | 86.67 | 13.33  | 88.20 | 11.80 | 84.25  | 15.75 | 43.90  | 56.10 | 90.38 | 9.62  |
| 1996 | 62.16 | 37.84 | 64.71 | 35.29  | 87.16 | 12.84 | 83.33  | 16.67 | 30.00  | 70.00 | 82.49 | 17.51 |
| 1997 | 60.49 | 39.51 | 72.00 | 28.00  | 88.15 | 11.85 | 83.15  | 16.85 | 23.76  | 76.24 | 76.79 | 23.21 |
| 1998 | 53.26 | 46.74 | 52.00 | 48.00  | 90.08 | 9.92  | 66.79  | 33.21 | 29.15  | 70.85 | 71.15 | 28.85 |
| 1999 | 50.86 | 49.14 | 70.37 | 29.63  | 88.70 | 11.30 | 60.52  | 39.48 | 32.39  | 67.61 | 57.47 | 42.53 |
| 2000 | 47.46 | 52.54 | 58.33 | 41.67  | 84.68 | 15.32 | 65.55  | 34.45 | 45.08  | 54.92 | 50.95 | 49.05 |
| 2001 | 54.19 | 45.81 | 41.82 | 58.18  | 84.75 | 15.25 | 64.19  | 35.81 | 45.23  | 54.77 | 47.62 | 52.38 |
| 2002 | 84.45 | 15.55 | 36.92 | 63.08  | 85.23 | 14.77 | 61.94  | 38.06 | 52.51  | 47.49 | 44.52 | 55.48 |
| 2003 | 87.25 | 12.75 | 43.28 | 56.72  | 81.21 | 18.79 | 65.98  | 34.02 | 56.92  | 43.08 | 47.75 | 52.25 |
| 2004 | 84.90 | 15.10 | 39.71 | 60.29  | 81.93 | 18.07 | 68.35  | 31.65 | 64.34  | 35.66 | 49.54 | 50.46 |
| 2005 | 49.03 | 50.97 | 45.45 | 54.55  | 84.65 | 15.35 | 71.14  | 28.86 | 61.63  | 38.37 | 54.89 | 45.11 |
| 2006 | 44.74 | 55.26 | 47.46 | 52.54  | 85.45 | 14.55 | 72.69  | 27.31 | 100.00 | 0.00  | 57.08 | 42.92 |

Table 2, Panel A: (Continued)

Average Proportion of Payers (P) and Non-payers (NP): Civil Law/Common Law, Muslim Law and Customary Law Countries

|             | IDN   |       | IND    |       | MYS   |       | SGP    |       |
|-------------|-------|-------|--------|-------|-------|-------|--------|-------|
|             | P     | NP    | P      | NP    | P     | NP    | P      | NP    |
| <b>1985</b> |       |       |        |       | 92.00 | 8.00  | 94.12  | 5.88  |
| <b>1986</b> |       |       |        |       | 92.86 | 7.14  | 94.44  | 5.56  |
| <b>1987</b> |       |       |        |       | 88.24 | 11.76 | 90.91  | 9.09  |
| <b>1988</b> |       |       |        |       | 88.57 | 11.43 | 95.65  | 4.35  |
| <b>1989</b> |       |       | 100.00 | 0.00  | 88.10 | 11.90 | 100.00 | 0.00  |
| <b>1990</b> | 50.00 | 50.00 | 100.00 | 0.00  | 86.54 | 13.46 | 100.00 | 0.00  |
| <b>1991</b> | 89.47 | 10.53 | 71.43  | 28.57 | 88.89 | 11.11 | 90.70  | 9.30  |
| <b>1992</b> | 96.23 | 3.77  | 62.50  | 37.50 | 90.00 | 10.00 | 86.79  | 13.21 |
| <b>1993</b> | 96.08 | 3.92  | 64.29  | 35.71 | 91.06 | 8.94  | 90.38  | 9.62  |
| <b>1994</b> | 97.10 | 2.90  | 84.62  | 15.38 | 92.48 | 7.52  | 89.71  | 10.29 |
| <b>1995</b> | 94.74 | 5.26  | 86.96  | 13.04 | 92.39 | 7.61  | 94.06  | 5.94  |
| <b>1996</b> | 96.19 | 3.81  | 92.83  | 7.17  | 91.07 | 8.93  | 89.26  | 10.74 |
| <b>1997</b> | 92.31 | 7.69  | 92.37  | 7.63  | 89.91 | 10.09 | 85.94  | 14.06 |
| <b>1998</b> | 47.87 | 52.13 | 91.63  | 8.37  | 79.25 | 20.75 | 84.78  | 15.22 |
| <b>1999</b> | 38.52 | 61.48 | 88.80  | 11.20 | 68.68 | 31.32 | 74.83  | 25.17 |
| <b>2000</b> | 64.44 | 35.56 | 86.88  | 13.12 | 67.39 | 32.61 | 67.84  | 32.16 |
| <b>2001</b> | 45.73 | 54.27 | 80.56  | 19.44 | 68.76 | 31.24 | 65.38  | 34.62 |
| <b>2002</b> | 45.16 | 54.84 | 82.48  | 17.52 | 65.97 | 34.03 | 57.06  | 42.94 |
| <b>2003</b> | 46.73 | 53.27 | 79.60  | 20.40 | 61.57 | 38.43 | 58.68  | 41.32 |
| <b>2004</b> | 45.81 | 54.19 | 81.53  | 18.47 | 60.45 | 39.55 | 57.14  | 42.86 |
| <b>2005</b> | 48.08 | 51.92 | 79.60  | 20.40 | 61.83 | 38.17 | 61.76  | 38.24 |
| <b>2006</b> | 54.74 | 45.26 | 68.85  | 31.15 | 63.18 | 36.82 | 65.31  | 34.69 |

Table 2, Panel B: Average Proportion of Payers (P) and Non-payers (NP), Classified by the Legal System of the Countries Included

|      | Civil Law |       | Common Law |       | Civil Law<br>& Common Law |       | Civil Law/<br>Common Law<br>& Customary Law |       | Civil Law/<br>Common Law,<br>Muslim Law &<br>Customary Law |       |
|------|-----------|-------|------------|-------|---------------------------|-------|---|-------|--|-------|
|      | P         | NP    | P          | NP    | P                         | NP    | P   | NP    | P  | NP    |
| 1985 | 80.14     | 19.86 | 91.48      | 8.52  | 95.24                     | 4.76  | 98.05                                       | 1.95  | 93.06  | 6.94  |
| 1986 | 84.83     | 15.17 | 89.15      | 10.85 | 95.65                     | 4.35  | 97.73                                       | 2.27  | 93.65  | 6.35  |
| 1987 | 85.12     | 14.88 | 85.26      | 14.74 | 100.00                    | 0.00  | 97.05                                       | 2.95  | 89.58  | 10.43 |
| 1988 | 86.75     | 13.25 | 84.07      | 15.93 | 100.00                    | 0.00  | 96.91                                       | 3.10  | 92.11  | 7.89  |
| 1989 | 89.87     | 10.13 | 76.32      | 23.68 | 100.00                    | 0.00  | 95.22                                       | 4.78  | 96.03  | 3.97  |
| 1990 | 88.30     | 11.70 | 79.77      | 20.23 | 90.00                     | 10.00 | 89.69                                       | 10.31 | 84.14  | 15.87 |
| 1991 | 81.96     | 18.04 | 76.24      | 23.76 | 98.44                     | 1.57  | 85.12                                       | 14.89 | 85.12  | 14.88 |
| 1992 | 80.08     | 19.92 | 70.87      | 29.13 | 100.00                    | 0.00  | 77.82                                       | 22.18 | 83.88  | 16.12 |
| 1993 | 77.74     | 22.26 | 70.57      | 29.43 | 92.27                     | 7.74  | 59.14                                       | 40.87 | 85.45  | 14.55 |
| 1994 | 78.24     | 21.76 | 69.11      | 30.89 | 89.18                     | 10.82 | 74.12                                       | 25.88 | 90.98  | 9.02  |
| 1995 | 83.19     | 16.81 | 68.54      | 31.46 | 87.88                     | 12.12 | 78.56                                       | 21.44 | 92.04  | 7.96  |
| 1996 | 82.03     | 17.98 | 64.45      | 35.55 | 84.81                     | 15.20 | 68.31                                       | 31.69 | 92.34  | 7.66  |
| 1997 | 80.13     | 19.87 | 65.65      | 34.35 | 83.94                     | 16.06 | 67.39                                       | 32.61 | 90.13  | 9.87  |
| 1998 | 76.43     | 23.57 | 57.79      | 42.21 | 51.55                     | 48.45 | 60.41                                       | 39.60 | 75.88  | 24.12 |
| 1999 | 72.28     | 27.72 | 53.91      | 46.09 | 52.46                     | 47.55 | 60.05                                       | 39.95 | 67.71  | 32.29 |
| 2000 | 69.15     | 30.85 | 45.81      | 54.19 | 55.78                     | 44.23 | 58.68                                       | 41.33 | 71.64  | 28.36 |
| 2001 | 64.62     | 35.38 | 39.61      | 60.39 | 54.01                     | 46.00 | 56.30                                       | 43.70 | 65.11  | 34.89 |
| 2002 | 58.63     | 41.37 | 36.64      | 63.36 | 59.71                     | 40.30 | 60.93                                       | 39.07 | 62.67  | 37.33 |
| 2003 | 59.53     | 40.47 | 38.85      | 61.15 | 66.47                     | 33.54 | 63.73                                       | 36.27 | 61.65  | 38.36 |
| 2004 | 61.88     | 38.12 | 38.93      | 61.07 | 68.82                     | 31.19 | 64.80                                       | 35.21 | 61.23  | 38.77 |
| 2005 | 64.16     | 35.84 | 40.18      | 59.82 | 70.93                     | 29.08 | 61.13                                       | 38.87 | 62.82  | 37.18 |
| 2006 | 64.59     | 35.41 | 39.79      | 60.21 | 68.30                     | 31.71 | 67.90                                       | 32.10 | 63.02  | 36.98 |

Table 3: Country-by-Country Analysis of Concentration of Dividends: The Percentages of Aggregate Dividends Accounted for by those of the Largest Ten Dividend Payers

| Year                | AUS    | AUT    | BEL    | BRA    | CAN     | CHE    | CHL     | CHN    | DEU    | DNK    | ESP    | FIN    | FRA    | GBR    | GRC    | HKG     | IDN    |
|---------------------|--------|--------|--------|--------|---------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|
| 1985                | 77%    |        |        |        | 90%     |        |         |        | 73%    |        |        |        | 72%    | 65%    |        | 90%     |        |
| 1986                | 83%    |        |        |        | 87%     | 78%    |         |        | 77%    |        |        |        | 66%    | 65%    |        | 89%     |        |
| 1987                | 76%    |        |        |        | 84%     | 63%    |         |        | 74%    |        |        |        | 61%    | 64%    |        | 86%     |        |
| 1988                | 74%    |        | 93%    |        | 81%     | 59%    |         |        | 70%    |        | 94%    |        | 60%    | 60%    |        | 80%     |        |
| 1989                | 73%    |        | 94%    |        | 80%     | 61%    |         |        | 69%    | 88%    | 92%    | 91%    | 61%    | 61%    |        | 78%     |        |
| 1990                | 80%    |        | 91%    |        | 77%     | 58%    |         |        | 67%    | 87%    | 91%    | 85%    | 57%    | 57%    |        | 79%     |        |
| 1991                | 76%    |        | 90%    |        | 79%     | 59%    |         |        | 67%    | 89%    | 93%    | 80%    | 61%    | 57%    |        | 72%     | 84%    |
| 1992                | 74%    |        | 92%    |        | 78%     | 64%    | 87%     |        | 66%    | 88%    | 88%    | 89%    | 60%    | 56%    | 82%    | 68%     | 72%    |
| 1993                | 73%    |        | 93%    |        | 77%     | 71%    | 85%     |        | 66%    | 88%    | 93%    | 91%    | 56%    | 63%    | 82%    | 66%     | 71%    |
| 1994                | 67%    |        | 92%    |        | 80%     | 72%    | 80%     |        | 67%    | 84%    | 91%    | 86%    | 58%    | 61%    | 73%    | 65%     | 71%    |
| 1995                | 64%    |        | 91%    |        | 72%     | 67%    | 74%     | 64%    | 62%    | 87%    | 92%    | 80%    | 53%    | 61%    | 64%    | 55%     | 57%    |
| 1996                | 62%    | 93%    | 92%    |        | 67%     | 60%    | 69%     | 65%    | 63%    | 84%    | 93%    | 82%    | 48%    | 64%    | 77%    | 59%     | 52%    |
| 1997                | 61%    | 90%    | 91%    |        | 63%     | 61%    | 61%     | 55%    | 62%    | 81%    | 93%    | 79%    | 54%    | 61%    | 78%    | 58%     | 58%    |
| 1998                | 64%    | 87%    | 87%    |        | 58%     | 56%    | 66%     | 61%    | 76%    | 83%    | 93%    | 81%    | 54%    | 67%    | 79%    | 55%     | 88%    |
| 1999                | 63%    | 87%    | 84%    |        | 55%     | 52%    | 53%     | 58%    | 63%    | 82%    | 90%    | 79%    | 57%    | 66%    | 76%    | 62%     | 86%    |
| 2000                | 68%    | 88%    | 86%    | 81%    | 56%     | 61%    | 70%     | 84%    | 61%    | 82%    | 84%    | 84%    | 52%    | 60%    | 81%    | 54%     | 86%    |
| 2001                | 65%    | 86%    | 86%    | 85%    | 60%     | 53%    | 84%     | 83%    | 59%    | 88%    | 82%    | 85%    | 56%    | 66%    | 63%    | 59%     | 79%    |
| 2002                | 69%    | 89%    | 85%    | 79%    | 43%     | 61%    | 64%     | 59%    | 57%    | 86%    | 74%    | 85%    | 56%    | 66%    | 77%    | 54%     | 82%    |
| 2003                | 64%    | 86%    | 85%    | 80%    | 43%     | 57%    | 68%     | 74%    | 58%    | 87%    | 86%    | 81%    | 55%    | 63%    | 75%    | 64%     | 84%    |
| 2004                | 61%    | 98%    | 86%    | 72%    | 35%     | 58%    | 77%     | 74%    | 55%    | 84%    | 87%    | 78%    | 60%    | 62%    | 73%    | 55%     | 86%    |
| 2005                | 57%    | 90%    | 85%    | 74%    | 38%     | 55%    | 63%     | 91%    | 57%    | 77%    | 80%    | 78%    | 55%    | 64%    | 75%    | 58%     | 83%    |
| 2006                | 59%    | 93%    | 86%    | 73%    | 31%     | 51%    | 57%     | 92%    | 59%    | 95%    | 80%    | 72%    | 57%    | 62%    | 73%    | 59%     | 84%    |
| Avg <sup>1</sup>    | 68.62% | 89.67% | 88.94% | 77.81% | 65.26%  | 60.77% | 70.53%  | 71.61% | 64.90% | 85.47% | 88.15% | 82.61% | 57.73% | 62.33% | 75.20% | 66.66%  | 76.51% |
| last5 <sup>2</sup>  | 61.78% | 91.06% | 85.65% | 75.80% | 38.26%  | 56.24% | 66.03%  | 77.82% | 57.22% | 85.63% | 81.41% | 78.86% | 56.51% | 63.53% | 74.66% | 57.99%  | 83.99% |
| first5 <sup>3</sup> | 76.46% | 88.93% | 93.16% | 81.72% | 84.47%  | 65.26% | 78.85%  | 60.66% | 72.55% | 88.43% | 92.85% | 91.04% | 64.34% | 62.97% | 75.67% | 84.64%  | 71.00% |
| diff5 <sup>4</sup>  | 14.69% | 2.13%  | -7.52% | -5.92% | -46.21% | -9.02% | -12.82% | 17.16% | 15.33% | -2.80% | 11.44% | 12.17% | -7.83% | 0.56%  | -1.02% | -26.65% | 12.99% |
| diff1 <sup>5</sup>  | 17.70% | -0.17% | -6.38% | -7.36% | -58.71% | 27.19% | -29.90% | 27.53% | 13.47% | 6.29%  | 14.42% | 19.15% | 15.54% | -2.53% | -9.76% | -31.34% | 0.50%  |

<sup>1</sup> Average: All periods<sup>2</sup> Average: Last five years' percentages<sup>3</sup> Average: First five years' percentages<sup>4</sup> Change: Last five years' average – first five year's average<sup>5</sup> Change: Last year – first year percentage

Table 3 (Continued)

| Year                | IND    | ISR    | ITA    | JPN    | KOR     | MYS     | NLD    | NOR    | SGP     | SWE    | THA    | TUR    | TWN    | USA    | ZAF    | avg    |
|---------------------|--------|--------|--------|--------|---------|---------|--------|--------|---------|--------|--------|--------|--------|--------|--------|--------|
| 1985                |        |        |        | 25%    |         | 73%     |        | 92%    |         |        |        |        |        | 35%    |        | 69%    |
| 1986                |        |        |        | 25%    |         | 79%     | 95%    | 93%    |         |        |        |        |        | 29%    |        | 72%    |
| 1987                |        |        | 83%    | 23%    |         | 72%     | 93%    | 92%    | 82%     |        |        |        |        | 36%    |        | 71%    |
| 1988                |        |        | 83%    | 24%    | 75%     | 73%     | 91%    | 92%    | 80%     |        |        |        |        | 36%    | 81%    | 72%    |
| 1989                |        |        | 84%    | 22%    | 70%     | 66%     | 90%    | 90%    | 78%     | 89%    |        |        |        | 39%    | 76%    | 74%    |
| 1990                |        |        | 84%    | 21%    | 70%     | 63%     | 89%    | 89%    | 80%     | 87%    |        |        |        | 44%    | 72%    | 73%    |
| 1991                |        |        | 83%    | 22%    | 67%     | 49%     | 89%    | 89%    | 75%     | 87%    | 78%    |        |        | 34%    | 70%    | 72%    |
| 1992                |        |        | 81%    | 21%    | 60%     | 48%     | 89%    | 89%    | 73%     | 85%    | 63%    |        |        | 32%    | 73%    | 71%    |
| 1993                |        |        | 83%    | 21%    | 54%     | 47%     | 87%    | 90%    | 74%     | 87%    | 54%    |        |        | 33%    | 63%    | 71%    |
| 1994                |        |        | 78%    | 21%    | 52%     | 55%     | 89%    | 85%    | 70%     | 85%    | 55%    |        | 72%    | 34%    | 62%    | 69%    |
| 1995                | 95%    |        | 89%    | 20%    | 49%     | 42%     | 89%    | 91%    | 73%     | 77%    | 52%    |        | 58%    | 33%    | 67%    | 67%    |
| 1996                | 37%    |        | 90%    | 23%    | 51%     | 42%     | 89%    | 82%    | 74%     | 74%    | 52%    | 69%    | 53%    | 31%    | 72%    | 66%    |
| 1997                | 38%    |        | 87%    | 20%    | 50%     | 39%     | 88%    | 82%    | 73%     | 72%    | 55%    | 69%    | 60%    | 36%    | 65%    | 65%    |
| 1998                | 37%    |        | 87%    | 20%    | 54%     | 53%     | 86%    | 93%    | 75%     | 70%    | 76%    | 73%    | 60%    | 37%    | 64%    | 68%    |
| 1999                | 39%    |        | 89%    | 20%    | 64%     | 47%     | 95%    | 89%    | 73%     | 77%    | 61%    | 68%    | 53%    | 37%    | 65%    | 66%    |
| 2000                | 45%    | 80%    | 84%    | 26%    | 63%     | 42%     | 85%    | 93%    | 83%     | 69%    | 63%    | 77%    | 46%    | 29%    | 63%    | 68%    |
| 2001                | 47%    | 80%    | 82%    | 33%    | 61%     | 39%     | 82%    | 89%    | 81%     | 70%    | 54%    | 79%    | 66%    | 31%    | 77%    | 69%    |
| 2002                | 60%    | 78%    | 84%    | 22%    | 57%     | 51%     | 80%    | 86%    | 66%     | 63%    | 61%    | 80%    | 57%    | 39%    | 76%    | 67%    |
| 2003                | 61%    | 76%    | 84%    | 25%    | 58%     | 44%     | 88%    | 79%    | 68%     | 67%    | 65%    | 81%    | 50%    | 31%    | 65%    | 67%    |
| 2004                | 51%    | 80%    | 90%    | 26%    | 67%     | 45%     | 85%    | 79%    | 58%     | 70%    | 64%    | 81%    | 47%    | 33%    | 50%    | 66%    |
| 2005                | 47%    | 71%    | 88%    | 26%    | 57%     | 43%     | 94%    | 81%    | 60%     | 67%    | 64%    | 74%    | 51%    | 31%    | 57%    | 65%    |
| 2006                | 45%    | 85%    | 84%    | 27%    | 54%     | 46%     | 90%    | 84%    | 56%     | 69%    | 70%    | 67%    | 51%    | 30%    | 62%    | 66%    |
| Avg <sup>1</sup>    | 50.03% | 78.72% | 84.88% | 23.35% | 59.64%  | 52.66%  | 88.73% | 87.66% | 72.51%  | 75.83% | 61.80% | 74.36% | 55.89% | 34.11% | 67.30% | 69.38% |
| last5 <sup>2</sup>  | 52.65% | 78.06% | 86.06% | 25.52% | 58.63%  | 45.83%  | 87.45% | 81.83% | 61.68%  | 67.28% | 64.83% | 76.59% | 51.28% | 32.69% | 62.10% | 66.40% |
| first5 <sup>3</sup> | 49.02% | 79.63% | 83.16% | 23.72% | 72.33%  | 72.61%  | 92.46% | 91.66% | 80.10%  | 88.55% | 60.61% | 69.76% | 60.97% | 34.90% | 78.36% | 71.68% |
| diff5 <sup>4</sup>  | 3.63%  | -1.58% | 2.89%  | 1.80%  | -13.70% | -26.78% | -5.01% | -9.83% | -18.42% | 21.27% | 4.22%  | 6.83%  | -9.69% | -2.21% | 16.26% | -5.28% |
| diff1 <sup>5</sup>  | -      | -      | -      | -      | -       | -       | -      | -      | -       | -      | -      | -      | -      | -      | -      | -      |
|                     | 49.40% | 4.64%  | 1.11%  | 2.29%  | -20.80% | -27.39% | -5.00% | -8.10% | -25.52% | 19.05% | -7.91% | -1.94% | 21.15% | -4.54% | 18.81% | -3.42% |

<sup>1</sup> Average: All periods<sup>2</sup> Average: Last five years' percentages<sup>3</sup> Average: First five years' percentages<sup>4</sup> Change: Last five years' average – first five year's average<sup>5</sup> Change: Last year – first year percentage



Table 3-A: Aggregate Dividends Paid (in Millions of Dollars)

| Global Amount |                 |                     | The Rest of the World |                 |                     |
|---------------|-----------------|---------------------|-----------------------|-----------------|---------------------|
| Year          | Number of Firms | Total (\$ millions) | Year                  | Number of Firms | Total (\$ millions) |
| 1985          | 1434            | \$27,661            | 1985                  | 861             | \$13,393            |
| 1986          | 1623            | \$30,593            | 1986                  | 1024            | \$18,255            |
| 1987          | 2059            | \$39,646            | 1987                  | 1409            | \$24,662            |
| 1988          | 2433            | \$45,701            | 1988                  | 1714            | \$29,395            |
| 1989          | 2697            | \$55,739            | 1989                  | 1967            | \$36,648            |
| 1990          | 3052            | \$67,785            | 1990                  | 2299            | \$43,443            |
| 1991          | 3556            | \$67,862            | 1991                  | 2700            | \$46,056            |
| 1992          | 3855            | \$62,985            | 1992                  | 2950            | \$45,784            |
| 1993          | 4105            | \$68,260            | 1993                  | 3127            | \$46,986            |
| 1994          | 4823            | \$77,988            | 1994                  | 3471            | \$57,061            |
| 1995          | 5519            | \$93,489            | 1995                  | 3990            | \$72,060            |
| 1996          | 6459            | \$103,298           | 1996                  | 4755            | \$82,170            |
| 1997          | 6997            | \$105,465           | 1997                  | 5157            | \$81,465            |
| 1998          | 8047            | \$129,383           | 1998                  | 5957            | \$104,783           |
| 1999          | 9128            | \$146,900           | 1999                  | 6908            | \$120,370           |
| 2000          | 10837           | \$146,287           | 2000                  | 8460            | \$126,264           |
| 2001          | 12407           | \$168,785           | 2001                  | 9976            | \$149,300           |
| 2002          | 13388           | \$164,275           | 2002                  | 10902           | \$140,108           |
| 2003          | 13895           | \$204,540           | 2003                  | 11342           | \$180,895           |
| 2004          | 14928           | \$280,971           | 2004                  | 12199           | \$247,497           |
| 2005          | 15714           | \$338,286           | 2005                  | 12861           | \$299,481           |
| 2006          | 17106           | \$436,806           | 2006                  | 14085           | \$386,698           |

Table 3-B: Country-by-Country Aggregate Amounts of Dividends Paid in 2006 (in millions of dollars),  
and the Relative Share of Each Country

| Country | Number of Firm | Total Dividends Paid (\$m) | Relative Share |
|---------|----------------|----------------------------|----------------|
| AUS     | 1177           | \$18,458                   | 4.23%          |
| AUT     | 48             | \$1,497                    | 0.34%          |
| BEL     | 77             | \$3,340                    | 0.76%          |
| BRA     | 158            | \$13,107                   | 3.00%          |
| CAN     | 1012           | \$18,157                   | 4.16%          |
| CHE     | 129            | \$1,266                    | 0.29%          |
| CHL     | 107            | \$2,313                    | 0.53%          |
| CHN     | 152            | \$12,061                   | 2.76%          |
| DEU     | 655            | \$36,369                   | 8.33%          |
| DNK     | 95             | \$10,941                   | 2.50%          |
| ESP     | 87             | \$10,118                   | 2.32%          |
| FIN     | 108            | \$6,627                    | 1.52%          |
| FRA     | 527            | \$34,049                   | 7.80%          |
| GBR     | 1274           | \$67,442                   | 15.44%         |
| GRC     | 221            | \$2,351                    | 0.54%          |
| HKG     | 671            | \$13,834                   | 3.17%          |
| IDN     | 137            | \$2,105                    | 0.48%          |
| IND     | 1268           | \$8,814                    | 2.02%          |
| ISR     | 59             | \$2,256                    | 0.52%          |
| ITA     | 182            | \$15,780                   | 3.61%          |
| JPN     | 1821           | \$21,772                   | 4.98%          |
| KOR     | 553            | \$8,866                    | 2.03%          |
| MYS     | 679            | \$3,392                    | 0.78%          |
| NLD     | 108            | \$18,262                   | 4.18%          |
| NOR     | 130            | \$2,912                    | 0.67%          |
| NZL     | 68             | \$1,320                    | 0.30%          |
| SGP     | 493            | \$5,350                    | 1.22%          |
| SWE     | 250            | \$11,455                   | 2.62%          |
| THA     | 369            | \$4,930                    | 1.13%          |
| TUR     | 129            | \$2,380                    | 0.54%          |
| TWN     | 1144           | \$17,974                   | 4.11%          |
| USA     | 3021           | \$50,107                   | 11.47%         |
| ZAF     | 197            | \$7,200                    | 1.65%          |

Table 3-C: Analysis of Payout Ratios for Dividend Payers

| Year | Total Number of Firms | Total Number of Profitable Firms | Mean Profits (\$m) | Median Profits (\$m) | Aggregate Earnings (\$m) | Aggregate Dividends (\$m) | Payout Ratio | Percentages of Firms with Positive Earnings |
|------|-----------------------|----------------------------------|--------------------|----------------------|--------------------------|---------------------------|--------------|---|
| 1985 | 1434                  | 1034                             | \$110.18           | \$29.28              | \$113,925                | \$27,661                  | 24.3%        | 72.1%                                       |
| 1986 | 1623                  | 1112                             | \$104.71           | \$27.68              | \$116,440                | \$30,593                  | 26.3%        | 68.5%                                       |
| 1987 | 2059                  | 1391                             | \$131.48           | \$25.96              | \$182,891                | \$39,646                  | 21.7%        | 67.6%                                       |
| 1988 | 2433                  | 1659                             | \$139.40           | \$23.17              | \$231,258                | \$45,701                  | 19.8%        | 68.2%                                       |
| 1989 | 2697                  | 1862                             | \$150.15           | \$25.30              | \$279,586                | \$55,739                  | 19.9%        | 69.0%                                       |
| 1990 | 3052                  | 1985                             | \$147.08           | \$24.47              | \$291,947                | \$67,785                  | 23.2%        | 65.0%                                       |
| 1991 | 3556                  | 2278                             | \$134.64           | \$18.02              | \$306,717                | \$67,862                  | 22.1%        | 64.1%                                       |
| 1992 | 3855                  | 2542                             | \$100.41           | \$16.31              | \$255,242                | \$62,985                  | 24.7%        | 65.9%                                       |
| 1993 | 4105                  | 2775                             | \$93.55            | \$16.29              | \$259,602                | \$68,260                  | 26.3%        | 67.6%                                       |
| 1994 | 4823                  | 3404                             | \$94.21            | \$16.07              | \$320,702                | \$77,988                  | 24.3%        | 70.6%                                       |
| 1995 | 5519                  | 4108                             | \$100.96           | \$16.42              | \$414,763                | \$93,489                  | 22.5%        | 74.4%                                       |
| 1996 | 6459                  | 4820                             | \$95.82            | \$15.85              | \$461,852                | \$103,298                 | 22.4%        | 74.6%                                       |
| 1997 | 6997                  | 5152                             | \$95.12            | \$15.11              | \$490,042                | \$105,465                 | 21.5%        | 73.6%                                       |
| 1998 | 8047                  | 5853                             | \$89.01            | \$11.12              | \$520,984                | \$129,383                 | 24.8%        | 72.7%                                       |
| 1999 | 9128                  | 6403                             | \$89.66            | \$10.58              | \$574,067                | \$146,900                 | 25.6%        | 70.1%                                       |
| 2000 | 10837                 | 8476                             | \$88.16            | \$9.45               | \$747,261                | \$146,287                 | 19.6%        | 78.2%                                       |
| 2001 | 12407                 | 9610                             | \$51.97            | \$5.75               | \$499,430                | \$168,785                 | 33.8%        | 77.5%                                       |
| 2002 | 13388                 | 10067                            | \$42.84            | \$5.21               | \$431,260                | \$164,275                 | 38.1%        | 75.2%                                       |
| 2003 | 13895                 | 10472                            | \$76.33            | \$6.76               | \$799,326                | \$204,540                 | 25.6%        | 75.4%                                       |
| 2004 | 14928                 | 11163                            | \$98.57            | \$9.49               | \$1,100,321              | \$280,971                 | 25.5%        | 74.8%                                       |
| 2005 | 15714                 | 12051                            | \$112.94           | \$9.53               | \$1,361,028              | \$338,286                 | 24.9%        | 76.7%                                       |
| 2006 | 17106                 | 13253                            | \$120.03           | \$9.71               | \$1,590,736              | \$436,806                 | 27.5%        | 77.5%                                       |

Table 3-C: Analysis of Payout Ratios for Dividend Payers; the US

| Year | Total<br>Number of<br>Firms | Total<br>Number of<br>Profitable<br>Firms | Mean<br>Profits<br>(\$m) | Median<br>Profits<br>(\$m) | Aggregate<br>Earnings<br>(\$m) | Aggregate<br>Dividends<br>(\$m) | Payout<br>Ratio | Percentages of Firms<br>with Positive<br>Earnings |
|------|-----------------------------|---|--------------------------|----------------------------|--------------------------------|---------------------------------|-----------------|---|
| 1985 | 573                         | 555                                       | \$83.51                  | \$21.67                    | \$46,349                       | \$14,268                        | 30.8%           | 96.9%   |
| 1986 | 599                         | 581                                       | \$57.39                  | \$17.25                    | \$33,344                       | \$12,338                        | 37.0%           | 97.0%   |
| 1987 | 650                         | 636                                       | \$97.46                  | \$20.48                    | \$61,981                       | \$14,984                        | 24.2%           | 97.8%   |
| 1988 | 719                         | 699                                       | \$107.06                 | \$20.98                    | \$74,832                       | \$16,306                        | 21.8%           | 97.2%   |
| 1989 | 730                         | 714                                       | \$128.24                 | \$21.28                    | \$91,565                       | \$19,091                        | 20.8%           | 97.8%   |
| 1990 | 753                         | 743                                       | \$107.68                 | \$22.38                    | \$80,004                       | \$24,342                        | 30.4%           | 98.7%   |
| 1991 | 856                         | 842                                       | \$101.74                 | \$16.48                    | \$85,663                       | \$21,806                        | 25.5%           | 98.4%   |
| 1992 | 905                         | 886                                       | \$69.88                  | \$13.94                    | \$61,915                       | \$17,201                        | 27.8%           | 97.9%   |
| 1993 | 978                         | 959                                       | \$74.98                  | \$15.67                    | \$71,905                       | \$21,274                        | 29.6%           | 98.1%   |
| 1994 | 1352                        | 1292                                      | \$61.81                  | \$10.88                    | \$79,860                       | \$20,927                        | 26.2%           | 95.6%   |
| 1995 | 1529                        | 1462                                      | \$64.24                  | \$9.92                     | \$93,912                       | \$21,429                        | 22.8%           | 95.6%   |
| 1996 | 1704                        | 1612                                      | \$65.21                  | \$10.96                    | \$105,122                      | \$21,127                        | 20.1%           | 94.6%   |
| 1997 | 1840                        | 1733                                      | \$63.14                  | \$12.61                    | \$109,416                      | \$24,000                        | 21.9%           | 94.2%   |
| 1998 | 2090                        | 1969                                      | \$61.39                  | \$7.94                     | \$120,881                      | \$24,601                        | 20.4%           | 94.2%   |
| 1999 | 2220                        | 2070                                      | \$59.79                  | \$8.68                     | \$123,767                      | \$26,530                        | 21.4%           | 93.2%   |
| 2000 | 2377                        | 2198                                      | \$68.30                  | \$8.61                     | \$150,133                      | \$20,023                        | 13.3%           | 92.5%   |
| 2001 | 2431                        | 2281                                      | \$32.65                  | \$5.14                     | \$74,470                       | \$19,486                        | 26.2%           | 93.8%   |
| 2002 | 2486                        | 2351                                      | \$31.75                  | \$4.59                     | \$74,633                       | \$24,167                        | 32.4%           | 94.6%   |
| 2003 | 2553                        | 2416                                      | \$55.59                  | \$5.97                     | \$134,312                      | \$23,645                        | 17.6%           | 94.6%   |
| 2004 | 2729                        | 2603                                      | \$64.74                  | \$8.86                     | \$168,508                      | \$33,474                        | 19.9%           | 95.4%   |
| 2005 | 2853                        | 2715                                      | \$80.77                  | \$10.00                    | \$219,281                      | \$38,805                        | 17.7%           | 95.2%   |
| 2006 | 3021                        | 2862                                      | \$86.44                  | \$10.05                    | \$247,392                      | \$50,107                        | 20.3%           | 94.7%   |

Table 3-C: Analysis of Payout Ratios for Dividend Payers; Rest of the World

| Year | Total<br>Number of<br>Firms | Total<br>Number of<br>Profitable<br>Firms | Mean<br>Profits<br>(\$m) | Median<br>Profits<br>(\$m) | Aggregate<br>Earnings<br>(\$m) | Aggregate<br>Dividends<br>(\$m) | Payout<br>Ratio | Percentages of<br>Firms with Positive<br>Earnings |
|------|-----------------------------|---|--------------------------|----------------------------|--------------------------------|---------------------------------|-----------------|---|
| 1985 | 861                         | 479                                       | \$141.08                 | \$41.94                    | \$67,576                       | \$13,393                        | 19.8%           | 55.6%   |
| 1986 | 1024                        | 531                                       | \$156.49                 | \$45.83                    | \$83,096                       | \$18,255                        | 22.0%           | 51.9%   |
| 1987 | 1409                        | 755                                       | \$160.15                 | \$31.44                    | \$120,910                      | \$24,662                        | 20.4%           | 53.6%   |
| 1988 | 1714                        | 960                                       | \$162.94                 | \$24.89                    | \$156,426                      | \$29,395                        | 18.8%           | 56.0%   |
| 1989 | 1967                        | 1148                                      | \$163.78                 | \$27.38                    | \$188,021                      | \$36,648                        | 19.5%           | 58.4%   |
| 1990 | 2299                        | 1242                                      | \$170.65                 | \$27.13                    | \$211,944                      | \$43,443                        | 20.5%           | 54.0%   |
| 1991 | 2700                        | 1436                                      | \$153.94                 | \$19.32                    | \$221,054                      | \$46,056                        | 20.8%           | 53.2%   |
| 1992 | 2950                        | 1656                                      | \$116.74                 | \$17.53                    | \$193,327                      | \$45,784                        | 23.7%           | 56.1%   |
| 1993 | 3127                        | 1816                                      | \$103.36                 | \$16.59                    | \$187,697                      | \$46,986                        | 25.0%           | 58.1%   |
| 1994 | 3471                        | 2112                                      | \$114.03                 | \$19.30                    | \$240,841                      | \$57,061                        | 23.7%           | 60.8%   |
| 1995 | 3990                        | 2646                                      | \$121.26                 | \$19.86                    | \$320,851                      | \$72,060                        | 22.5%           | 66.3%   |
| 1996 | 4755                        | 3208                                      | \$111.20                 | \$18.46                    | \$356,730                      | \$82,170                        | 23.0%           | 67.5%   |
| 1997 | 5157                        | 3419                                      | \$111.33                 | \$16.18                    | \$380,626                      | \$81,465                        | 21.4%           | 66.3%   |
| 1998 | 5957                        | 3884                                      | \$103.01                 | \$12.27                    | \$400,103                      | \$104,783                       | 26.2%           | 65.2%   |
| 1999 | 6908                        | 4333                                      | \$103.92                 | \$11.14                    | \$450,300                      | \$120,370                       | 26.7%           | 62.7%   |
| 2000 | 8460                        | 6278                                      | \$95.11                  | \$9.69                     | \$597,128                      | \$126,264                       | 21.1%           | 74.2%   |
| 2001 | 9976                        | 7329                                      | \$57.98                  | \$5.82                     | \$424,960                      | \$149,300                       | 35.1%           | 73.5%   |
| 2002 | 10902                       | 7716                                      | \$46.22                  | \$5.35                     | \$356,627                      | \$140,108                       | 39.3%           | 70.8%   |
| 2003 | 11342                       | 8056                                      | \$82.55                  | \$6.89                     | \$665,015                      | \$180,895                       | 27.2%           | 71.0%   |
| 2004 | 12199                       | 8560                                      | \$108.86                 | \$9.67                     | \$931,813                      | \$247,497                       | 26.6%           | 70.2%   |
| 2005 | 12861                       | 9336                                      | \$122.30                 | \$9.37                     | \$1,141,746                    | \$299,481                       | 26.2%           | 72.6%   |
| 2006 | 14085                       | 10391                                     | \$129.28                 | \$9.66                     | \$1,343,344                    | \$386,698                       | 28.8%           | 73.8%   |

Table 4: Means and Medians of Dividend Payout Ratio (Mean=Mn, Median=Md)

Panel A: Results Classified by The Legal System of Countries Included

|      | Civil Law |       | Common Law |       | Civil Law and Common Law |       | Civil Law/Common Law and Customary Law |       | Civil Law/Common Law, Muslim Law and Customary Law |       |
|------|-----------|-------|------------|-------|--------------------------|-------|--|-------|--|-------|
|      | Mn        | Md    | Mn         | Md    | Mn                       | Md    | Mn                                     | Md    | Mn   | Md    |
| 1985 | 43.41     | 41.51 | 36.31      | 32.74 | 51.69                    | 53.76 | 49.11                                  | 44.40 | 51.40  | 50.05 |
| 1986 | 38.60     | 37.18 | 39.43      | 36.53 | 47.30                    | 43.16 | 43.32                                  | 42.57 | 49.94  | 45.81 |
| 1987 | 42.83     | 39.52 | 35.46      | 33.01 | 29.87                    | 29.23 | 43.25                                  | 39.18 | 42.21  | 38.06 |
| 1988 | 36.96     | 34.49 | 32.88      | 31.03 | 37.31                    | 34.88 | 37.19                                  | 33.41 | 38.91  | 32.26 |
| 1989 | 38.69     | 36.53 | 33.14      | 30.97 | 33.57                    | 30.05 | 40.15                                  | 32.79 | 32.82  | 31.16 |
| 1990 | 41.67     | 38.07 | 39.26      | 36.27 | 45.56                    | 44.80 | 37.39                                  | 34.40 | 29.22  | 25.94 |
| 1991 | 40.17     | 37.40 | 43.51      | 40.21 | 48.63                    | 44.94 | 40.61                                  | 37.18 | 33.28  | 27.56 |
| 1992 | 43.67     | 39.75 | 41.99      | 39.59 | 49.18                    | 48.51 | 38.65                                  | 37.61 | 33.48  | 28.10 |
| 1993 | 37.92     | 34.08 | 34.90      | 32.46 | 47.87                    | 43.84 | 34.80                                  | 30.34 | 34.48  | 31.56 |
| 1994 | 34.47     | 31.30 | 36.47      | 31.96 | 44.03                    | 41.22 | 38.12                                  | 33.22 | 33.33  | 30.31 |
| 1995 | 34.55     | 31.48 | 36.39      | 33.00 | 40.29                    | 38.72 | 38.70                                  | 35.17 | 29.62  | 25.06 |
| 1996 | 36.23     | 32.82 | 40.31      | 36.38 | 39.17                    | 35.77 | 37.46                                  | 34.47 | 29.09  | 24.59 |
| 1997 | 37.77     | 33.60 | 38.12      | 34.83 | 37.79                    | 38.12 | 35.98                                  | 32.35 | 29.81  | 26.09 |
| 1998 | 35.59     | 32.65 | 40.28      | 37.51 | 30.15                    | 26.34 | 36.83                                  | 31.42 | 31.29  | 27.36 |
| 1999 | 35.68     | 30.08 | 40.32      | 37.18 | 34.40                    | 33.37 | 33.99                                  | 29.48 | 29.11  | 23.82 |
| 2000 | 35.53     | 31.10 | 41.89      | 38.21 | 33.73                    | 31.24 | 34.59                                  | 28.93 | 29.78  | 24.74 |
| 2001 | 38.25     | 34.13 | 43.15      | 40.74 | 35.62                    | 30.74 | 36.82                                  | 32.86 | 31.72  | 26.88 |
| 2002 | 38.84     | 35.02 | 42.75      | 38.43 | 37.10                    | 32.56 | 35.85                                  | 30.39 | 32.75  | 27.58 |
| 2003 | 40.43     | 37.25 | 43.72      | 39.22 | 37.16                    | 34.13 | 35.19                                  | 30.66 | 33.46  | 27.79 |
| 2004 | 38.23     | 33.83 | 42.11      | 37.85 | 41.49                    | 38.23 | 35.45                                  | 31.13 | 31.07  | 25.78 |
| 2005 | 37.25     | 33.65 | 42.74      | 39.57 | 40.25                    | 38.69 | 36.12                                  | 32.91 | 32.84  | 28.30 |
| 2006 | 35.83     | 31.85 | 43.10      | 39.14 | 41.89                    | 41.37 | 35.34                                  | 32.24 | 33.24  | 28.21 |

Table 4 (Continued)

## Panel B: Payout Ratios for Each Country: Civil Law Countries

|      | AUT   |       | BEL   |       | BRA   |       | CHE   |       | CHL   |       | DEU   |       | DNK   |       | ESP   |       | FIN   |       | FRA   |       | GRC   |       | ITA   |       | NLD   |       | NOR   |       | SWE   |       | TUR   |       |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|      | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    |
| 1985 | 73.90 | 90.91 | 38.10 | 27.10 |       |       | 49.50 | 41.47 |       |       | 55.10 | 50.83 | 24.31 | 22.33 | 53.48 | 40.52 | 52.87 | 53.68 | 29.28 | 26.01 | 0.00  | 0.00  | 48.60 | 55.37 | 29.40 | 31.38 | 69.96 | 69.96 | 39.89 | 30.07 |       |       |
| 1986 | 56.14 | 58.30 | 27.09 | 28.55 |       |       | 38.41 | 35.13 |       |       | 52.39 | 48.16 | 27.75 | 29.40 | 37.42 | 28.52 | 44.56 | 39.26 | 27.93 | 24.76 | 43.07 | 43.07 | 43.35 | 47.19 | 29.21 | 30.92 |       |       | 35.91 | 32.93 |       |       |
| 1987 | 45.17 | 29.79 | 41.31 | 34.47 |       |       | 39.45 | 35.96 | 40.53 | 29.27 | 55.87 | 51.64 | 32.35 | 24.99 | 41.14 | 39.97 | 57.66 | 67.57 | 27.73 | 24.55 | 50.98 | 47.18 | 39.70 | 39.75 | 32.91 | 32.95 | 62.11 | 65.57 | 32.74 | 29.61 |       |       |
| 1988 | 31.72 | 31.63 | 34.21 | 28.46 |       |       | 43.11 | 37.65 | 51.55 | 43.27 | 50.70 | 48.60 | 26.96 | 22.91 | 39.29 | 36.04 | 30.64 | 33.64 | 24.48 | 22.98 | 44.64 | 44.27 | 40.45 | 42.06 | 32.10 | 32.05 | 35.70 | 32.66 | 31.82 | 26.69 |       |       |
| 1989 | 30.65 | 33.21 | 30.64 | 24.21 | 33.58 | 26.17 | 40.04 | 35.22 | 55.73 | 57.36 | 48.43 | 44.10 | 27.54 | 23.69 | 44.44 | 39.84 | 51.55 | 48.92 | 23.34 | 20.71 | 53.82 | 51.74 | 45.31 | 45.36 | 27.66 | 28.54 | 39.24 | 38.99 | 29.08 | 26.72 | 37.91 | 39.72 |
| 1990 | 42.93 | 39.35 | 42.56 | 34.68 | 39.41 | 30.34 | 40.64 | 36.26 | 54.35 | 39.77 | 49.75 | 44.32 | 23.98 | 19.89 | 46.32 | 40.74 | 50.12 | 52.68 | 25.70 | 22.40 | 57.91 | 57.60 | 47.86 | 45.53 | 31.81 | 34.54 | 47.72 | 51.89 | 35.84 | 32.75 | 29.86 | 26.38 |
| 1991 | 44.05 | 37.50 | 49.67 | 45.25 | 40.19 | 40.19 | 48.69 | 46.01 | 54.85 | 57.64 | 52.75 | 53.08 | 28.81 | 19.79 | 42.83 | 38.84 | 42.09 | 35.28 | 29.36 | 26.36 | 44.93 | 42.17 | 45.75 | 38.87 | 30.11 | 34.14 | 12.88 | 9.91  | 43.75 | 40.93 | 32.03 | 32.41 |
| 1992 | 61.55 | 58.31 | 40.50 | 32.13 | 42.76 | 28.28 | 44.40 | 40.85 | 51.01 | 55.91 | 48.78 | 44.39 | 22.55 | 17.07 | 56.44 | 52.63 | 39.37 | 36.69 | 31.62 | 29.52 | 59.45 | 60.31 | 47.22 | 40.46 | 35.42 | 36.29 | 36.50 | 26.74 | 42.97 | 44.09 | 38.17 | 32.37 |
| 1993 | 53.05 | 54.35 | 40.56 | 35.63 | 19.98 | 13.79 | 39.86 | 31.96 | 51.20 | 46.78 | 50.36 | 49.22 | 21.99 | 19.16 | 53.24 | 47.87 | 26.02 | 18.22 | 34.40 | 28.08 | 42.05 | 35.67 | 44.69 | 38.83 | 38.91 | 39.78 | 21.38 | 22.27 | 29.34 | 26.22 | 39.69 | 37.48 |
| 1994 | 42.60 | 40.45 | 46.24 | 40.24 |       |       | 35.75 | 30.66 | 41.25 | 39.87 | 49.26 | 45.54 | 20.35 | 17.68 | 43.33 | 41.55 | 26.02 | 20.89 | 30.40 | 24.96 | 41.24 | 39.99 | 34.65 | 31.73 | 28.92 | 30.12 | 24.75 | 21.36 | 23.84 | 20.81 | 28.49 | 23.58 |
| 1995 | 33.87 | 30.62 | 42.64 | 43.72 |       |       | 33.54 | 27.64 | 47.81 | 42.93 | 44.34 | 43.63 | 22.93 | 17.81 | 45.23 | 41.13 | 30.48 | 22.51 | 33.19 | 30.09 | 42.48 | 37.91 | 31.51 | 28.51 | 32.02 | 34.95 | 22.10 | 20.99 | 25.72 | 23.00 | 30.44 | 26.72 |
| 1996 | 35.83 | 27.35 | 30.19 | 29.49 |       |       | 35.73 | 29.78 | 50.17 | 48.45 | 48.22 | 44.71 | 26.63 | 17.52 | 41.93 | 43.76 | 33.04 | 28.92 | 33.07 | 28.17 | 47.54 | 43.91 | 41.06 | 38.12 | 26.72 | 31.66 | 26.94 | 22.15 | 33.59 | 30.90 | 32.86 | 27.37 |
| 1997 | 45.17 | 39.33 | 35.41 | 30.91 | 84.69 | 84.69 | 30.26 | 26.44 | 46.39 | 40.41 | 43.46 | 42.21 | 26.69 | 21.00 | 36.51 | 29.89 | 33.68 | 28.75 | 30.07 | 25.89 | 46.12 | 38.81 | 34.10 | 32.43 | 23.32 | 19.00 | 21.09 | 16.66 | 31.19 | 28.43 | 36.15 | 32.80 |
| 1998 | 31.76 | 31.91 | 35.54 | 28.67 | 46.98 | 46.98 | 30.29 | 26.81 | 47.95 | 46.58 | 41.46 | 38.58 | 27.09 | 22.42 | 35.42 | 34.53 | 40.41 | 38.10 | 31.40 | 26.80 | 40.83 | 38.47 | 31.68 | 29.24 | 24.38 | 21.86 | 30.80 | 26.37 | 33.04 | 29.02 | 40.37 | 36.13 |
| 1999 | 46.33 | 34.96 | 32.90 | 27.66 | 53.60 | 32.70 | 31.86 | 26.93 | 39.94 | 35.76 | 42.15 | 40.06 | 29.02 | 23.31 | 32.62 | 28.82 | 36.44 | 30.77 | 27.81 | 24.50 | 33.52 | 31.53 | 36.67 | 33.58 | 25.18 | 19.76 | 33.95 | 29.17 | 32.97 | 30.51 | 35.94 | 31.19 |
| 2000 | 34.58 | 28.47 | 33.28 | 27.40 | 41.06 | 37.25 | 31.29 | 26.78 | 49.54 | 43.82 | 39.89 | 37.48 | 28.50 | 20.99 | 31.24 | 25.88 | 33.63 | 33.20 | 29.91 | 26.55 | 38.32 | 34.58 | 34.17 | 26.52 | 22.93 | 15.51 | 43.77 | 38.05 | 33.81 | 29.24 | 42.48 | 45.86 |
| 2001 | 36.02 | 30.47 | 36.97 | 30.17 | 41.63 | 37.10 | 39.83 | 36.73 | 46.88 | 44.91 | 44.84 | 41.43 | 29.28 | 25.39 | 34.96 | 30.52 | 42.44 | 41.74 | 32.62 | 26.54 | 46.51 | 42.94 | 37.45 | 33.94 | 31.73 | 31.39 | 37.88 | 30.19 | 40.44 | 32.91 | 32.50 | 29.65 |
| 2002 | 44.51 | 45.03 | 38.65 | 34.68 | 42.74 | 34.82 | 38.69 | 36.42 | 40.31 | 33.81 | 44.70 | 41.11 | 33.23 | 30.40 | 31.31 | 27.86 | 46.32 | 43.75 | 33.78 | 29.45 | 40.06 | 33.28 | 38.83 | 31.27 | 30.91 | 29.23 | 36.15 | 33.53 | 44.97 | 36.70 | 36.32 | 38.91 |
| 2003 | 42.62 | 39.63 | 41.62 | 42.15 | 37.87 | 33.14 | 33.77 | 29.05 | 44.92 | 40.76 | 44.36 | 40.95 | 31.04 | 27.91 | 38.02 | 29.60 | 52.52 | 50.71 | 34.45 | 29.36 | 41.26 | 35.75 | 40.93 | 36.38 | 40.26 | 36.40 | 37.79 | 38.39 | 45.55 | 41.83 | 39.95 | 44.02 |
| 2004 | 33.21 | 29.17 | 37.06 | 32.67 | 40.70 | 35.81 | 31.54 | 29.23 | 39.69 | 35.73 | 38.74 | 33.52 | 31.32 | 26.96 | 36.47 | 30.41 | 50.18 | 48.51 | 33.25 | 29.05 | 40.96 | 35.37 | 38.27 | 32.99 | 38.03 | 32.22 | 38.85 | 33.17 | 40.56 | 38.71 | 42.80 | 37.81 |
| 2005 | 29.53 | 26.22 | 37.54 | 30.74 | 39.26 | 34.94 | 29.99 | 26.39 | 46.39 | 46.43 | 36.68 | 33.18 | 34.53 | 31.15 | 38.70 | 32.69 | 47.34 | 45.96 | 31.46 | 28.06 | 39.15 | 34.69 | 36.15 | 30.92 | 33.97 | 30.82 | 41.58 | 38.21 | 39.19 | 37.09 | 34.56 | 30.98 |
| 2006 | 29.41 | 24.86 | 33.41 | 32.28 | 42.52 | 35.90 | 28.15 | 25.13 | 41.29 | 36.86 | 35.25 | 30.76 | 33.01 | 26.99 | 34.92 | 29.77 | 41.87 | 39.91 | 32.36 | 28.56 | 36.69 | 30.87 | 37.87 | 35.26 | 33.67 | 29.10 | 32.31 | 28.63 | 40.95 | 36.28 | 39.63 | 38.39 |

Table 4 (Continued)

Panel C: Payout Ratios for Each Country: Common Law Countries

|      | AUS   |       | CAN   |       | GBR   |       | NZL   |       | USA   |       |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|      | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    |
| 1985 | 46.83 | 44.73 | 32.80 | 25.86 | 36.04 | 31.05 | 31.99 | 31.99 | 33.91 | 30.08 |
| 1986 | 51.39 | 47.36 | 31.52 | 27.17 | 34.76 | 31.51 | 46.42 | 46.42 | 33.08 | 30.17 |
| 1987 | 38.56 | 29.70 | 25.82 | 22.91 | 30.01 | 27.57 | 50.71 | 54.73 | 32.18 | 30.12 |
| 1988 | 45.33 | 45.79 | 30.25 | 25.75 | 27.50 | 24.97 | 30.95 | 30.95 | 30.38 | 27.71 |
| 1989 | 56.73 | 56.79 | 31.17 | 26.08 | 30.81 | 28.50 | 15.12 | 15.12 | 31.89 | 28.35 |
| 1990 | 47.83 | 49.35 | 36.75 | 32.45 | 36.58 | 34.07 | 39.55 | 33.57 | 35.57 | 31.89 |
| 1991 | 51.61 | 51.61 | 36.84 | 34.30 | 44.28 | 40.62 | 47.52 | 39.67 | 37.32 | 34.85 |
| 1992 | 48.31 | 46.73 | 41.41 | 42.70 | 43.44 | 38.21 | 41.00 | 36.74 | 35.78 | 33.58 |
| 1993 | 42.47 | 40.19 | 30.08 | 25.29 | 40.26 | 37.75 | 26.59 | 26.68 | 35.09 | 32.37 |
| 1994 | 41.64 | 36.64 | 27.20 | 22.52 | 37.64 | 34.68 | 44.66 | 37.41 | 31.21 | 28.56 |
| 1995 | 43.08 | 42.44 | 25.58 | 21.66 | 38.21 | 35.90 | 45.06 | 39.30 | 30.04 | 25.72 |
| 1996 | 55.66 | 60.26 | 28.83 | 21.83 | 36.69 | 34.93 | 51.08 | 39.73 | 29.27 | 25.17 |
| 1997 | 48.24 | 44.87 | 25.00 | 19.35 | 36.33 | 34.86 | 53.17 | 51.42 | 27.85 | 23.65 |
| 1998 | 51.06 | 52.85 | 27.22 | 19.27 | 36.47 | 33.41 | 58.40 | 57.96 | 28.26 | 24.07 |
| 1999 | 52.51 | 52.66 | 29.45 | 23.21 | 38.03 | 34.41 | 52.95 | 51.82 | 28.66 | 23.79 |
| 2000 | 49.60 | 51.09 | 28.15 | 21.47 | 39.64 | 35.22 | 64.25 | 60.27 | 27.81 | 23.01 |
| 2001 | 52.40 | 54.78 | 29.42 | 22.33 | 41.14 | 37.05 | 61.41 | 64.63 | 31.39 | 24.90 |
| 2002 | 47.88 | 45.32 | 33.04 | 24.52 | 42.90 | 40.69 | 58.10 | 55.89 | 31.83 | 25.73 |
| 2003 | 49.30 | 46.82 | 35.93 | 24.07 | 42.32 | 38.65 | 62.84 | 63.90 | 28.21 | 22.64 |
| 2004 | 47.23 | 46.16 | 33.79 | 20.83 | 40.28 | 37.51 | 60.86 | 61.56 | 28.38 | 23.18 |
| 2005 | 48.23 | 46.45 | 36.15 | 24.94 | 37.58 | 33.84 | 64.13 | 70.71 | 27.60 | 21.89 |
| 2006 | 49.18 | 47.59 | 40.14 | 28.08 | 35.84 | 33.33 | 61.41 | 64.24 | 28.95 | 22.44 |

Panel D: Payout Ratios for Each Country:  
Civil Law and Common Law Countries

|      | THA   |       | ZFA   |       |
|------|-------|-------|-------|-------|
|      | Mn    | Md    | Mn    | Md    |
| 1985 |       |       | 51.69 | 53.76 |
| 1986 |       |       | 47.30 | 43.16 |
| 1987 | 15.94 | 15.94 | 43.79 | 42.51 |
| 1988 | 34.85 | 31.34 | 39.77 | 38.41 |
| 1989 | 29.01 | 27.18 | 38.13 | 32.91 |
| 1990 | 46.84 | 50.63 | 44.28 | 38.97 |
| 1991 | 48.54 | 43.28 | 48.71 | 46.60 |
| 1992 | 49.50 | 49.11 | 48.86 | 47.90 |
| 1993 | 52.72 | 48.39 | 43.02 | 39.29 |
| 1994 | 49.48 | 46.90 | 38.57 | 35.54 |
| 1995 | 49.59 | 48.68 | 30.99 | 28.75 |
| 1996 | 52.15 | 49.95 | 26.18 | 21.58 |
| 1997 | 51.00 | 52.33 | 24.58 | 23.91 |
| 1998 | 35.40 | 29.59 | 24.89 | 23.08 |
| 1999 | 40.17 | 40.50 | 28.63 | 26.23 |
| 2000 | 40.04 | 35.72 | 27.41 | 26.76 |
| 2001 | 40.39 | 36.23 | 30.84 | 25.24 |
| 2002 | 42.43 | 39.03 | 31.77 | 26.09 |
| 2003 | 44.04 | 40.85 | 30.28 | 27.41 |
| 2004 | 48.59 | 46.60 | 34.38 | 29.85 |
| 2005 | 48.14 | 47.98 | 32.36 | 29.39 |
| 2006 | 49.53 | 48.45 | 34.25 | 34.29 |



Table 4 (Continued)

Panel E: Payout Ratios for Each Country: Civil Law/Common Law and Customary Law Countries

Panel F: Payout Ratios for Each Country: Civil Law/Common Law, Muslim Law and Customary Law Countries

| CHN  |       |       | ISR   |       | JPN   |       | KOR   |       | TWN   |       | HKG   |       | IDN  |       |       | IND   |       | MYS   |       | SGP   |       |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| Mn   | Md    |       | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn    | Md    | Mn   | Md    |       | Mn    | Md    | Mn    | Md    | Mn    | Md    |
| 1985 |       |       |       |       | 37.91 | 32.55 | 44.59 | 39.52 |       |       | 64.83 | 61.14 | 1985 |       |       |       |       | 52.21 | 51.73 | 50.58 | 48.36 |
| 1986 |       |       |       |       | 39.53 | 35.45 | 40.22 | 46.32 |       |       | 50.21 | 45.93 | 1986 |       |       |       |       | 55.53 | 49.42 | 44.35 | 42.19 |
| 1987 |       |       |       |       | 40.26 | 36.95 | 44.93 | 40.54 |       |       | 44.56 | 40.06 | 1987 |       |       |       |       | 45.95 | 38.11 | 38.47 | 38.01 |
| 1988 |       |       |       |       | 33.83 | 30.00 | 28.82 | 28.15 |       |       | 48.92 | 42.08 | 1988 |       |       |       |       | 43.47 | 36.96 | 34.34 | 27.55 |
| 1989 |       |       |       |       | 31.14 | 26.88 | 42.87 | 41.38 | 40.27 | 20.14 | 46.30 | 42.76 | 1989 |       |       | 26.99 | 26.99 | 40.88 | 37.59 | 30.59 | 28.89 |
| 1990 |       |       |       |       | 28.24 | 24.18 | 46.26 | 40.29 | 24.82 | 24.82 | 50.22 | 48.30 | 1990 | 22.45 | 22.45 | 25.40 | 25.40 | 33.04 | 27.42 | 35.99 | 28.50 |
| 1991 |       |       |       |       | 28.54 | 23.71 | 42.48 | 33.84 | 40.19 | 41.42 | 51.24 | 49.73 | 1991 | 37.60 | 30.76 | 22.82 | 18.79 | 34.93 | 32.23 | 37.76 | 28.46 |
| 1992 | 43.31 | 44.62 |       |       | 32.35 | 27.17 | 35.13 | 30.71 | 39.58 | 43.25 | 42.86 | 42.32 | 1992 | 44.23 | 33.83 | 22.48 | 21.72 | 32.69 | 29.80 | 34.51 | 27.03 |
| 1993 | 15.43 | 9.22  |       |       | 37.16 | 31.04 | 31.10 | 25.46 | 45.75 | 40.89 | 44.58 | 45.07 | 1993 | 37.08 | 33.07 | 32.98 | 33.49 | 33.69 | 28.84 | 34.15 | 30.84 |
| 1994 | 54.55 | 49.40 | 29.11 | 31.23 | 37.44 | 30.76 | 26.19 | 18.48 | 38.52 | 32.40 | 42.92 | 37.07 | 1994 | 37.60 | 32.53 | 37.36 | 40.77 | 31.04 | 23.96 | 27.32 | 23.97 |
| 1995 | 51.51 | 52.52 | 32.49 | 24.59 | 36.00 | 29.66 | 27.42 | 25.60 | 43.33 | 40.33 | 41.46 | 38.32 | 1995 | 35.89 | 30.27 | 27.97 | 25.30 | 26.14 | 21.07 | 28.47 | 23.60 |
| 1996 | 44.64 | 46.56 | 36.38 | 32.10 | 35.82 | 29.20 | 33.94 | 28.45 | 35.45 | 34.19 | 38.50 | 36.31 | 1996 | 34.41 | 30.37 | 23.37 | 20.07 | 26.75 | 20.86 | 31.84 | 27.05 |
| 1997 | 48.52 | 47.15 | 25.38 | 18.00 | 34.16 | 28.50 | 34.82 | 28.43 | 36.93 | 38.02 | 36.08 | 34.01 | 1997 | 30.89 | 28.69 | 29.76 | 25.69 | 28.06 | 23.62 | 30.51 | 26.35 |
| 1998 | 43.39 | 42.89 | 34.99 | 28.46 | 37.12 | 31.70 | 22.80 | 15.89 | 41.59 | 31.45 | 41.11 | 38.14 | 1998 | 20.13 | 18.12 | 31.37 | 26.97 | 38.14 | 32.35 | 35.52 | 31.98 |
| 1999 | 34.49 | 31.65 | 38.55 | 35.16 | 37.58 | 31.63 | 16.43 | 12.36 | 38.38 | 32.03 | 38.48 | 34.06 | 1999 | 28.17 | 23.10 | 29.64 | 26.36 | 24.88 | 18.19 | 33.73 | 27.61 |
| 2000 | 33.68 | 33.48 | 45.42 | 32.61 | 31.13 | 26.26 | 23.86 | 18.91 | 34.89 | 28.76 | 38.53 | 33.57 | 2000 | 28.16 | 20.95 | 30.48 | 27.14 | 31.78 | 27.46 | 28.69 | 23.42 |
| 2001 | 49.62 | 54.56 | 38.23 | 32.11 | 30.08 | 24.72 | 25.26 | 19.74 | 36.12 | 27.83 | 41.61 | 38.20 | 2001 | 31.51 | 29.75 | 29.94 | 23.83 | 32.40 | 28.24 | 33.02 | 25.71 |
| 2002 | 45.11 | 42.84 | 38.45 | 28.19 | 34.73 | 28.61 | 22.25 | 17.92 | 34.07 | 27.99 | 40.46 | 36.81 | 2002 | 31.34 | 27.00 | 32.37 | 27.50 | 32.46 | 26.33 | 34.81 | 29.49 |
| 2003 | 42.08 | 37.48 | 37.19 | 32.39 | 30.90 | 26.13 | 26.86 | 21.38 | 37.62 | 33.07 | 36.46 | 33.49 | 2003 | 34.10 | 27.44 | 27.52 | 22.01 | 34.11 | 28.71 | 38.09 | 32.98 |
| 2004 | 42.02 | 37.71 | 44.06 | 38.08 | 28.60 | 24.04 | 24.92 | 19.96 | 37.83 | 34.41 | 35.27 | 32.58 | 2004 | 27.68 | 22.08 | 25.43 | 20.81 | 33.56 | 29.27 | 37.62 | 30.94 |
| 2005 | 38.69 | 36.60 | 46.90 | 44.88 | 26.31 | 22.09 | 24.50 | 19.98 | 44.11 | 42.04 | 36.23 | 31.87 | 2005 | 31.34 | 26.91 | 24.85 | 21.02 | 35.67 | 31.86 | 39.48 | 33.40 |
| 2006 | 36.30 | 31.28 | 40.76 | 43.89 | 26.88 | 21.98 | 26.65 | 21.03 | 44.26 | 42.75 | 37.17 | 32.53 | 2006 | 36.09 | 29.33 | 23.84 | 18.68 | 35.96 | 32.07 | 37.05 | 32.77 |

Table 5: Characteristics of Payers and Non-Payers (Means)

Average Firm Size, and Ratios of Aggregate Earnings, Investment, Firm Value, and Liabilities to Aggregate Assets and Book Equity, for Different Dividend Groups and for New Lists

$A_t$ ,  $BE_t$ ,  $ME_t$ ,  $L_t = A_t - BE_t$ , and  $V_t = L_t + ME_t$  are assets, book common equity, market value of common equity, book liabilities, and total market value, at the end of fiscal year  $t$ .  $E_t$ ,  $Y_t$ ,  $D_t$ , and  $RD_t$  are earnings before interest but after taxes, after-tax earnings to common stock, dividends, and R&D expenditures for fiscal year  $t$ . Investment,  $dA_t$ , is  $A_t - A_{t-1}$ . The ratios shown are ratios of the year  $t$  aggregate values of the variables for the firms in a group, averaged over the years in a period. Results are shown for all firms and for firms grouped according to dividend status. Results are also shown for dividend payers and non-payers.

|                              | 1985  | 1986  | 1987   | 1988   | 1989  | 1990   | 1991   | 1992   | 1993   | 1994  | 1995   | 1996   | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   |
|------------------------------|-------|-------|--------|--------|-------|--------|--------|--------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b><math>E_t/A_t</math></b>  |       |       |        |        |       |        |        |        |        |       |        |        |        |        |        |        |        |        |        |        |        |        |
| All Firms                    | 10.68 | 10.37 | 11.15  | 11.82  | 12.28 | 10.56  | 9.25   | 8.79   | 9.16   | 9.94  | 9.62   | 9.12   | 7.93   | 5.69   | 5.72   | 6.32   | -1.66  | -1.72  | 0.81   | 3.49   | 2.25   | 2.59   |
| Payers                       | 10.93 | 10.58 | 11.60  | 12.42  | 13.09 | 12.09  | 10.92  | 10.35  | 10.58  | 11.29 | 11.05  | 10.67  | 9.81   | 9.78   | 9.69   | 9.98   | 7.94   | 7.20   | 8.36   | 9.23   | 9.15   | 9.46   |
| Non Payers                   | 5.24  | 6.72  | 6.59   | 5.03   | 4.33  | -1.44  | -1.47  | 0.18   | 2.25   | 3.85  | 3.21   | 2.48   | 0.68   | -4.22  | -2.18  | -0.32  | -17.13 | -14.75 | -10.53 | -5.23  | -8.64  | -8.41  |
| Never Payers                 | -     | 3.98  | 4.22   | 1.08   | 3.34  | -3.26  | -3.22  | -0.42  | 1.52   | 2.92  | 1.98   | 2.10   | -0.54  | -5.15  | -2.59  | -4.25  | -17.79 | -19.34 | -12.67 | -8.86  | -10.34 | -12.43 |
| Former Payers                | -     | 7.23  | 10.65  | 1.44   | 19.20 | 0.38   | -0.20  | 2.25   | 3.69   | 2.19  | 2.99   | 2.16   | 1.39   | 1.89   | 0.35   | 0.67   | -3.02  | -1.97  | -3.30  | -1.55  | -0.06  | 1.72   |
| <b><math>Y_t/BE_t</math></b> |       |       |        |        |       |        |        |        |        |       |        |        |        |        |        |        |        |        |        |        |        |        |
| All Firms                    | 24.96 | 23.23 | 20.74  | 24.77  | 25.44 | 19.18  | 17.98  | 12.69  | 15.49  | 19.64 | 16.26  | 15.51  | 11.42  | 9.51   | 4.18   | 6.37   | -12.06 | -16.22 | -3.36  | 2.94   | 2.60   | 0.77   |
| Payers                       | 25.84 | 24.39 | 22.10  | 25.74  | 28.64 | 23.46  | 23.61  | 18.36  | 19.37  | 23.41 | 21.34  | 19.83  | 17.08  | 24.27  | 17.57  | 16.34  | 13.89  | 10.96  | 14.87  | 18.01  | 17.61  | 19.01  |
| Non Payers                   | 5.55  | 2.97  | 7.14   | 13.85  | -6.01 | -14.55 | -17.85 | -18.65 | -3.20  | 2.66  | -6.42  | -2.96  | -10.41 | -26.02 | -22.29 | -11.36 | -52.87 | -55.13 | -30.35 | -19.74 | -21.01 | -28.31 |
| Never Payers                 | -     | 2.03  | -16.80 | -11.04 | -8.85 | -19.69 | -22.75 | -25.34 | -4.36  | -0.14 | -12.38 | -8.06  | -18.37 | -23.32 | -20.88 | -28.60 | -64.50 | -63.26 | -37.05 | -28.05 | -23.52 | -38.20 |
| Former Payers                | -     | 5.77  | 166.01 | -3.41  | 27.11 | -9.15  | -22.30 | 3.32   | -1.86  | -4.40 | -15.92 | -10.84 | -8.50  | -47.76 | -56.50 | -19.69 | -27.03 | -39.52 | -21.13 | -22.76 | -35.89 | -7.93  |
| <b><math>dA_t/A_t</math></b> |       |       |        |        |       |        |        |        |        |       |        |        |        |        |        |        |        |        |        |        |        |        |
| All Firms                    | 1.44  | 23.19 | 22.60  | 14.29  | 10.82 | 11.59  | 8.52   | 2.80   | 3.13   | 12.19 | 13.44  | 0.10   | -6.85  | 2.09   | 5.77   | 4.90   | -9.95  | -0.21  | 9.42   | 11.99  | 6.00   | 11.14  |
| Payers                       | 1.46  | 23.47 | 23.04  | 15.16  | 10.86 | 12.31  | 10.16  | 4.85   | 5.56   | 13.23 | 14.45  | 0.15   | -6.44  | 2.24   | 6.39   | 6.53   | -4.28  | 4.45   | 12.76  | 13.21  | 6.61   | 11.04  |
| Non Payers                   | 1.02  | 17.33 | 15.96  | 4.31   | 10.42 | 4.98   | -4.68  | -11.30 | -11.39 | 6.92  | 7.98   | -0.13  | -8.48  | 1.65   | 4.25   | 1.73   | -19.18 | -6.66  | 4.77   | 10.26  | 5.11   | 11.28  |
| Never Payers                 | -     | 13.14 | 9.69   | 4.22   | 9.44  | 4.53   | -2.00  | -8.90  | -9.98  | 5.95  | 7.32   | 0.22   | -8.93  | -2.77  | 0.71   | -0.09  | -24.55 | -9.91  | 2.92   | 7.10   | 1.93   | 7.87   |
| Former Payers                | -     | 22.99 | 21.47  | -2.50  | -6.06 | 0.63   | -15.89 | -19.72 | -15.97 | 6.69  | 9.13   | -6.34  | -23.61 | -4.35  | -3.58  | 1.99   | -13.67 | -4.93  | 2.29   | 4.30   | -5.65  | 4.18   |

Table 5: Characteristics of Payers and Non-Payers (Means) (Continued)

|                                     | 1985  | 1986  | 1987  | 1988  | 1989  | 1990  | 1991  | 1992  | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  | 1999  | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  | 2006  |  |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|
| <b>V<sub>t</sub>/A<sub>t</sub></b>  |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |  |
| All Firms                           | 1.44  | 1.61  | 1.60  | 1.62  | 1.75  | 1.62  | 2.77  | 1.40  | 1.59  | 1.60  | 1.49  | 1.66  | 1.61  | 1.52  | 2.02  | 1.87  | 1.48  | 1.39  | 1.54  | 1.65  | 1.74  | 1.88  |  |
| Payers                              | 1.46  | 1.62  | 1.61  | 1.63  | 1.72  | 1.61  | 1.55  | 1.41  | 1.60  | 1.58  | 1.46  | 1.57  | 1.49  | 1.43  | 1.74  | 1.63  | 1.34  | 1.31  | 1.37  | 1.42  | 1.51  | 1.65  |  |
| Non Payers                          | 1.02  | 1.45  | 1.52  | 1.54  | 1.97  | 1.68  | 12.32 | 1.34  | 1.50  | 1.68  | 1.64  | 2.07  | 2.04  | 1.74  | 2.60  | 2.27  | 1.68  | 1.49  | 1.78  | 1.97  | 2.07  | 2.23  |  |
| Never Payers                        | -     | 1.12  | 1.31  | 1.48  | 1.74  | 1.66  | 1.48  | 1.38  | 1.46  | 1.70  | 1.62  | 1.91  | 2.08  | 1.78  | 2.14  | 2.20  | 1.57  | 1.43  | 1.66  | 1.90  | 1.98  | 2.17  |  |
| Former Payers                       | -     | 1.33  | 1.24  | 1.33  | 1.36  | 1.36  | 1.02  | 1.07  | 1.22  | 1.30  | 1.27  | 1.27  | 1.32  | 1.07  | 1.70  | 1.38  | 1.20  | 1.07  | 1.15  | 1.17  | 1.20  | 1.34  |  |
| <b>RD<sub>t</sub>/A<sub>t</sub></b> |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |  |
| All Firms                           | 0.03  | 0.03  | 0.03  | 0.03  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.03  | 0.03  | 0.03  | 0.04  | 0.04  | 0.04  | 0.04  | 0.04  | 0.04  |  |
| Payers                              | 0.03  | 0.03  | 0.03  | 0.03  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  |  |
| Non Payers                          | 0.03  | 0.02  | 0.03  | 0.03  | 0.03  | 0.03  | 0.03  | 0.03  | 0.03  | 0.03  | 0.03  | 0.03  | 0.04  | 0.05  | 0.05  | 0.05  | 0.06  | 0.07  | 0.07  | 0.06  | 0.06  | 0.06  |  |
| Never Payers                        | -     | 0.03  | 0.03  | 0.03  | 0.05  | 0.03  | 0.03  | 0.04  | 0.03  | 0.04  | 0.04  | 0.03  | 0.04  | 0.06  | 0.06  | 0.06  | 0.07  | 0.08  | 0.07  | 0.07  | 0.07  | 0.07  |  |
| Former Payers                       | -     | 0.02  | 0.00  | 0.06  | 0.03  | 0.03  | 0.03  | 0.03  | 0.02  | 0.02  | 0.02  | 0.02  | 0.02  | 0.01  | 0.02  | 0.02  | 0.03  | 0.03  | 0.03  | 0.03  | 0.03  | 0.03  |  |
| <b>A<sub>t</sub></b>                |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |  |
| All Firms                           | 1,565 | 1,830 | 1,818 | 1,744 | 1,875 | 1,924 | 1,864 | 1,823 | 1,837 | 1,959 | 2,127 | 1,863 | 1,687 | 1,706 | 1,628 | 1,558 | 1,338 | 1,258 | 1,441 | 1,592 | 1,608 | 1,736 |  |
| Payers                              | 1,617 | 1,908 | 1,928 | 1,867 | 2,030 | 2,099 | 2,031 | 1,994 | 2,054 | 2,217 | 2,412 | 2,152 | 2,009 | 2,178 | 2,219 | 2,274 | 2,088 | 1,941 | 2,192 | 2,408 | 2,526 | 2,741 |  |
| Non Payers                          | 497   | 517   | 834   | 527   | 526   | 451   | 558   | 690   | 610   | 704   | 768   | 639   | 497   | 425   | 385   | 358   | 273   | 331   | 398   | 456   | 291   | 299   |  |
| Never Payers                        | -     | 657   | 725   | 517   | 487   | 548   | 427   | 662   | 655   | 648   | 749   | 765   | 496   | 433   | 447   | 344   | 305   | 261   | 295   | 332   | 257   | 309   |  |
| Former Payers                       | -     | 870   | 2,216 | 989   | 355   | 428   | 1,312 | 1,140 | 704   | 1,088 | 1,575 | 807   | 621   | 592   | 570   | 1,025 | 554   | 890   | 791   | 2,060 | 503   | 506   |  |
| <b>L<sub>t</sub>/A<sub>t</sub></b>  |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |  |
| All Firms                           | 0.38  | 0.39  | 0.40  | 0.40  | 0.40  | 0.41  | 0.41  | 0.41  | 0.42  | 0.42  | 0.43  | 0.44  | 0.43  | 0.45  | 0.47  | 0.49  | 0.50  | 0.51  | 0.51  | 0.52  | 0.53  | 0.53  |  |
| Payers                              | 0.38  | 0.39  | 0.40  | 0.41  | 0.41  | 0.41  | 0.42  | 0.42  | 0.42  | 0.43  | 0.44  | 0.44  | 0.43  | 0.44  | 0.46  | 0.47  | 0.48  | 0.50  | 0.50  | 0.50  | 0.50  | 0.50  |  |
| Non Payers                          | 0.30  | 0.32  | 0.35  | 0.35  | 0.36  | 0.36  | 0.37  | 0.35  | 0.38  | 0.38  | 0.41  | 0.43  | 0.45  | 0.46  | 0.49  | 0.52  | 0.53  | 0.52  | 0.52  | 0.55  | 0.56  | 0.57  |  |
| Never Payers                        | -     | 0.32  | 0.30  | 0.34  | 0.37  | 0.37  | 0.37  | 0.35  | 0.37  | 0.39  | 0.39  | 0.43  | 0.44  | 0.45  | 0.48  | 0.51  | 0.52  | 0.53  | 0.53  | 0.54  | 0.56  | 0.58  |  |
| Former Payers                       | -     | 0.30  | 0.31  | 0.38  | 0.37  | 0.32  | 0.36  | 0.28  | 0.35  | 0.31  | 0.31  | 0.34  | 0.41  | 0.37  | 0.40  | 0.39  | 0.43  | 0.46  | 0.42  | 0.48  | 0.47  | 0.47  |  |

Table 5: Characteristics of Payers and Non-Payers (Medians)

Average firm size, and ratios of aggregate earnings, investment, firm value, and liabilities to aggregate assets and book equity, for different dividend groups and for new lists

$A_t$ ,  $BE_t$ ,  $ME_t$ ,  $L_t = A_t - BE_t$ , and  $V_t = L_t + ME_t$  are assets, book common equity, market value of common equity, book liabilities, and total market value, at the end of fiscal year  $t$ .  $E_t$ ,  $Y_t$ ,  $D_t$ , and  $RD_t$  are earnings before interest but after taxes, after-tax earnings to common stock, dividends, and R&D expenditures for fiscal year  $t$ . Investment,  $dA_t$ , is  $A_t - A_{t-1}$ . The ratios shown are ratios of the year  $t$  aggregate values of the variables for the firms in a group, averaged over the years in a period. Results are shown for all firms and for firms grouped according to dividend status. Results are also shown for dividend payers and non-payers.

|                              | 1985  | 1986  | 1987  | 1988  | 1989  | 1990  | 1991  | 1992  | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  | 1999  | 2000  | 2001  | 2002   | 2003  | 2004  | 2005  | 2006  |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|
| <b><math>E_t/A_t</math></b>  |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |        |       |       |       |       |
| All Firms                    | 8.56  | 8.36  | 9.11  | 9.63  | 9.09  | 8.23  | 7.35  | 7.25  | 7.08  | 7.57  | 7.59  | 7.39  | 6.95  | 6.82  | 6.71  | 5.86  | 4.64  | 4.24   | 4.82  | 5.54  | 5.62  | 6.21  |
| Payers                       | 8.64  | 8.57  | 9.53  | 10.07 | 9.52  | 8.88  | 8.06  | 7.86  | 7.84  | 8.01  | 8.16  | 8.01  | 7.57  | 7.87  | 7.88  | 7.37  | 6.42  | 6.34   | 6.83  | 7.55  | 7.70  | 8.12  |
| Non Payers                   | 4.88  | 3.98  | 5.96  | 4.74  | 5.05  | 3.25  | 3.37  | 3.67  | 3.36  | 4.84  | 4.57  | 4.20  | 3.91  | 3.03  | 3.17  | 1.96  | -1.05 | -1.60  | -0.19 | 0.72  | 0.03  | 1.20  |
| Never Payers                 |       | 3.15  | 4.82  | 4.01  | 4.46  | 3.48  | 3.04  | 3.27  | 3.01  | 4.69  | 4.81  | 4.11  | 3.61  | 2.72  | 2.68  | 1.88  | -0.83 | -3.36  | -0.81 | 0.38  | -0.19 | 0.04  |
| Former Payers                |       | 7.23  | 16.72 | 5.70  | 7.42  | 1.55  | 3.19  | 3.84  | 3.64  | 3.97  | 3.22  | 3.42  | 3.28  | 4.21  | 4.04  | 2.42  | 1.71  | 1.48   | 0.93  | 2.30  | 2.69  | 2.49  |
| <b><math>Y_t/BE_t</math></b> |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |        |       |       |       |       |
| All Firms                    | 14.02 | 14.02 | 16.03 | 17.50 | 15.66 | 13.08 | 11.22 | 10.85 | 10.77 | 11.98 | 12.18 | 11.43 | 11.23 | 9.91  | 9.96  | 9.21  | 6.46  | 6.25   | 8.00  | 9.81  | 10.01 | 10.90 |
| Payers                       | 14.34 | 14.34 | 16.54 | 18.14 | 16.56 | 14.52 | 12.53 | 11.93 | 12.05 | 13.35 | 13.58 | 12.90 | 12.61 | 13.01 | 13.05 | 12.80 | 10.80 | 10.94  | 12.37 | 14.27 | 14.71 | 15.14 |
| Non Payers                   | 5.28  | 4.89  | 7.07  | 5.34  | 4.36  | 0.33  | -0.01 | 2.91  | 2.33  | 5.95  | 3.95  | 3.90  | 3.56  | 0.18  | 1.24  | 0.19  | -7.22 | -7.35  | -4.17 | -1.11 | -2.49 | -0.03 |
| Never Payers                 |       | 1.68  | 4.43  | 2.06  | 3.58  | 2.22  | -1.06 | 1.63  | 1.07  | 5.29  | 4.00  | 3.75  | 3.14  | 0.20  | 0.36  | -0.55 | -7.32 | -10.45 | -5.06 | -1.89 | -3.15 | -2.79 |
| Former Payers                |       | 5.77  | 45.59 | -0.41 | 4.36  | -7.02 | -2.74 | 1.09  | 1.57  | 3.26  | 1.02  | 1.37  | 2.05  | 0.03  | 1.91  | 1.83  | -2.50 | -0.99  | -2.94 | 2.16  | 1.94  | 2.71  |
| <b><math>dA_t/A_t</math></b> |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |        |       |       |       |       |
| All Firms                    |       | 25.88 | 22.27 | 15.94 | 9.09  | 12.87 | 11.02 | 5.36  | 6.67  | 11.82 | 14.14 | 0.04  | -5.92 | 3.24  | 6.31  | 7.43  | -5.11 | 4.78   | 11.37 | 12.75 | 5.43  | 11.38 |
| Payers                       |       | 26.11 | 22.43 | 16.68 | 9.20  | 13.31 | 11.70 | 6.18  | 7.94  | 12.36 | 14.59 | 0.22  | -5.61 | 2.59  | 6.91  | 7.85  | -3.78 | 6.20   | 12.60 | 13.48 | 5.58  | 11.14 |
| Non Payers                   |       | 22.63 | 16.14 | 7.51  | 8.48  | 8.80  | 0.26  | -4.47 | -7.44 | 8.27  | 10.34 | -0.88 | -7.41 | 4.80  | 4.54  | 6.11  | -8.38 | 2.07   | 8.58  | 10.77 | 4.96  | 12.11 |
| Never Payers                 |       | 21.85 | 11.75 | 7.82  | 6.72  | 7.83  | 3.99  | -2.97 | -5.55 | 8.11  | 10.27 | -0.51 | -8.15 | 1.86  | 2.93  | 3.33  | -9.60 | 0.73   | 7.84  | 9.11  | 3.21  | 10.58 |
| Former Payers                |       | 23.31 | 15.28 | 4.30  | 7.40  | 9.10  | -7.70 | -11.1 | -11.7 | 5.83  | 11.22 | -8.88 | -13.8 | 1.59  | 1.45  | 5.08  | -9.13 | 2.09   | 4.94  | 7.44  | -2.17 | 6.92  |

Table 5: Characteristics of Payers and Non-Payers (Medians) (Continued)

|                              | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| <b><math>V_t/A_t</math></b>  |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| All Firms                    | 1.22 | 1.37 | 1.36 | 1.43 | 1.51 | 1.42 | 1.37 | 1.23 | 1.30 | 1.34 | 1.24 | 1.31 | 1.22 | 1.10 | 1.15 | 1.12 | 1.07 | 1.06 | 1.13 | 1.21 | 1.26 | 1.35 |
| Payers                       | 1.23 | 1.38 | 1.38 | 1.44 | 1.51 | 1.42 | 1.38 | 1.25 | 1.31 | 1.35 | 1.24 | 1.31 | 1.20 | 1.09 | 1.13 | 1.10 | 1.06 | 1.07 | 1.12 | 1.20 | 1.23 | 1.31 |
| Non Payers                   | 0.96 | 1.17 | 1.22 | 1.31 | 1.57 | 1.41 | 1.15 | 1.09 | 1.20 | 1.28 | 1.28 | 1.36 | 1.32 | 1.11 | 1.19 | 1.18 | 1.08 | 1.04 | 1.14 | 1.25 | 1.34 | 1.44 |
| Never Payers                 |      | 1.08 | 1.06 | 1.24 | 1.36 | 1.40 | 1.23 | 1.13 | 1.23 | 1.25 | 1.24 | 1.38 | 1.28 | 1.15 | 1.15 | 1.10 | 1.06 | 1.03 | 1.12 | 1.21 | 1.30 | 1.43 |
| Former Payers                |      | 1.22 | 1.09 | 1.37 | 1.25 | 1.26 | 0.96 | 0.99 | 1.13 | 1.19 | 1.20 | 1.07 | 1.07 | 0.95 | 0.99 | 1.02 | 0.99 | 0.95 | 1.01 | 0.99 | 1.01 | 1.03 |
| <b><math>RD_t/A_t</math></b> |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| All Firms                    | 0.02 | 0.02 | 0.02 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Payers                       | 0.02 | 0.02 | 0.02 | 0.02 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Non Payers                   | 0.02 | 0.00 | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.02 | 0.02 | 0.01 | 0.01 | 0.01 |
| Never Payers                 |      | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| Former Payers                |      | 0.02 | 0.00 | 0.05 | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.00 | 0.00 | 0.01 | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| <b><math>A_t</math></b>      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| All Firms                    | 394  | 448  | 369  | 334  | 341  | 308  | 282  | 268  | 277  | 300  | 313  | 254  | 222  | 185  | 166  | 136  | 101  | 104  | 111  | 116  | 112  | 115  |
| Payers                       | 405  | 463  | 395  | 375  | 370  | 345  | 326  | 315  | 321  | 341  | 349  | 292  | 267  | 232  | 228  | 213  | 183  | 179  | 194  | 215  | 214  | 220  |
| Non Payers                   | 297  | 244  | 160  | 99   | 136  | 130  | 96   | 102  | 109  | 146  | 161  | 126  | 104  | 82   | 72   | 61   | 42   | 42   | 42   | 41   | 39   | 42   |
| Never Payers                 |      | 368  | 307  | 147  | 108  | 164  | 103  | 96   | 105  | 117  | 154  | 157  | 119  | 113  | 78   | 74   | 50   | 40   | 42   | 44   | 40   | 43   |
| Former Payers                |      | 748  | 236  | 100  | 131  | 138  | 154  | 196  | 162  | 220  | 415  | 211  | 155  | 137  | 159  | 141  | 95   | 94   | 99   | 98   | 90   | 93   |
| <b><math>L_t/A_t</math></b>  |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| All Firms                    | 0.37 | 0.38 | 0.38 | 0.38 | 0.38 | 0.39 | 0.40 | 0.40 | 0.40 | 0.42 | 0.42 | 0.43 | 0.42 | 0.43 | 0.45 | 0.48 | 0.49 | 0.50 | 0.50 | 0.51 | 0.51 | 0.51 |
| Payers                       | 0.38 | 0.39 | 0.39 | 0.39 | 0.39 | 0.40 | 0.40 | 0.41 | 0.41 | 0.43 | 0.43 | 0.43 | 0.42 | 0.43 | 0.45 | 0.46 | 0.47 | 0.49 | 0.50 | 0.50 | 0.50 | 0.49 |
| Non Payers                   | 0.28 | 0.29 | 0.28 | 0.31 | 0.30 | 0.29 | 0.32 | 0.30 | 0.32 | 0.33 | 0.38 | 0.41 | 0.44 | 0.45 | 0.47 | 0.51 | 0.52 | 0.51 | 0.51 | 0.54 | 0.55 | 0.56 |
| Never Payers                 |      | 0.28 | 0.26 | 0.28 | 0.30 | 0.29 | 0.30 | 0.31 | 0.31 | 0.35 | 0.35 | 0.40 | 0.43 | 0.43 | 0.45 | 0.49 | 0.51 | 0.52 | 0.52 | 0.53 | 0.54 | 0.57 |
| Former Payers                |      | 0.24 | 0.27 | 0.38 | 0.34 | 0.24 | 0.34 | 0.23 | 0.29 | 0.26 | 0.28 | 0.33 | 0.41 | 0.34 | 0.39 | 0.38 | 0.41 | 0.46 | 0.39 | 0.46 | 0.47 | 0.47 |

Table 5-A: The Relative Importance of Dividend Paying Firms as Measured by the Percentage of Aggregate Values Accounted for by the Dividend Payers

$A_t$ ,  $BE_t$ ,  $ME_t$ ,  $L_t = A_t - BE_t$ , and  $V_t = L_t - ME_t$  are assets, book common equity, market value of common equity, book liabilities, and total market value, at the end of fiscal year  $t$ .  $dA = A_t - A_{t-1}$  is the change in assets in fiscal year  $t$ .  $E_t$  and  $Y_t$  are earnings before interest but after taxes and after-tax earnings to common stock for fiscal year  $t$ .  $dT_t$  is the change in treasury stock. The table shows average values for the indicated periods of the year  $t$  percents of the aggregate values of the variables (sums over all firms in the sample) accounted for by firms that pay dividends.

| Year   | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| $E_t$  | 87   | 92   | 78   | 88   | 90   | 94   | 90   | 88   | 84   | 78   | 84   | 83   | 85   | 86   | 84   | 90   | 97   | 97   | 89   | 93   | 95   | 94   |
| $dA_t$ | -    | 80   | 52   | 81   | 88   | 88   | 89   | 75   | 159  | 80   | 81   | -23  | 60   | 86   | 75   | 88   | -386 | 98   | 93   | 85   | 109  | 92   |
| $A_t$  | 77   | 79   | 70   | 78   | 79   | 82   | 78   | 74   | 77   | 76   | 76   | 77   | 80   | 84   | 85   | 86   | 88   | 85   | 85   | 84   | 90   | 90   |
| $V_t$  | 79   | 80   | 77   | 79   | 77   | 80   | 28   | 76   | 77   | 76   | 76   | 77   | 79   | 84   | 84   | 85   | 88   | 86   | 85   | 85   | 90   | 90   |
| $BE_t$ | 80   | 82   | 64   | 81   | 84   | 82   | 80   | 81   | 80   | 76   | 78   | 78   | 78   | 79   | 81   | 84   | 86   | 85   | 86   | 88   | 90   | 90   |
| $ME_t$ | 85   | 84   | 83   | 82   | 75   | 78   | 14   | 82   | 79   | 77   | 77   | 78   | 78   | 83   | 81   | 84   | 87   | 87   | 86   | 88   | 90   | 89   |
| $L_t$  | 75   | 78   | 72   | 77   | 78   | 82   | 78   | 72   | 76   | 76   | 75   | 77   | 81   | 85   | 87   | 87   | 89   | 86   | 84   | 83   | 90   | 90   |
| $dT_t$ | -    | 100  | 100  | 68   | 138  | 95   | 107  | 61   | 65   | 118  | 84   | 94   | 112  | 80   | 28   | 83   | 100  | 93   | 408  | 96   | 100  | 94   |

Table 5-B: The Proportion of Payers Across Size Deciles (1 = the smallest, 10 = the largest decile group, sorted by total market values of the firm)

| Year | Decile | Total | Payers | % of payers | Year | Decile | Total | Payers | % of payers | Year | Decile | Total | Payers | % of payers |
|------|--------|-------|--------|-------------|------|--------|-------|--------|-------------|------|--------|-------|--------|-------------|
| 1985 | 1      | 143   | 91     | 63.64%      | 1995 | 1      | 551   | 260    | 47.19%      | 2006 | 1      | 1710  | 363    | 21.23%      |
| 1985 | 2      | 143   | 108    | 75.52%      | 1995 | 2      | 552   | 305    | 55.25%      | 2006 | 2      | 1711  | 647    | 37.81%      |
| 1985 | 3      | 144   | 112    | 77.78%      | 1995 | 3      | 552   | 331    | 59.96%      | 2006 | 3      | 1711  | 759    | 44.36%      |
| 1985 | 4      | 143   | 119    | 83.22%      | 1995 | 4      | 552   | 388    | 70.29%      | 2006 | 4      | 1710  | 846    | 49.47%      |
| 1985 | 5      | 144   | 131    | 90.97%      | 1995 | 5      | 552   | 389    | 70.47%      | 2006 | 5      | 1711  | 893    | 52.19%      |
| 1985 | 6      | 143   | 132    | 92.31%      | 1995 | 6      | 552   | 407    | 73.73%      | 2006 | 6      | 1711  | 983    | 57.45%      |
| 1985 | 7      | 144   | 137    | 95.14%      | 1995 | 7      | 552   | 422    | 76.45%      | 2006 | 7      | 1710  | 1015   | 59.36%      |
| 1985 | 8      | 143   | 138    | 96.50%      | 1995 | 8      | 552   | 435    | 78.80%      | 2006 | 8      | 1711  | 1087   | 63.53%      |
| 1985 | 9      | 144   | 139    | 96.53%      | 1995 | 9      | 552   | 442    | 80.07%      | 2006 | 9      | 1711  | 1133   | 66.22%      |
| 1985 | 10     | 143   | 139    | 97.20%      | 1995 | 10     | 552   | 488    | 88.41%      | 2006 | 10     | 1710  | 1395   | 81.58%      |

Table 6: The Proportion of Payers Across Industries

| SIC Code | Average Percentage of Payers |           | Change in the Percentage of Payers |
|----------|------------------------------|-----------|------------------------------------|
|          | 1985-1989                    | 2002-2006 |                                    |
| 10       | 76.04                        | 13.65     | -62.39                             |
| 12       | 100.00                       | 55.28     | -44.72                             |
| 13       | 62.25                        | 27.84     | -34.41                             |
| 14       | 82.95                        | 29.31     | -53.65                             |
| 15       | 89.72                        | 63.88     | -25.84                             |
| 16       | 79.61                        | 68.52     | -11.09                             |
| 17       | 87.64                        | 65.57     | -22.07                             |
| 20       | 93.55                        | 73.53     | -20.02                             |
| 21       | 100.00                       | 79.70     | -20.30                             |
| 22       | 94.44                        | 52.05     | -42.40                             |
| 23       | 97.19                        | 63.24     | -33.94                             |
| 24       | 88.89                        | 54.65     | -34.24                             |
| 25       | 95.76                        | 59.07     | -36.69                             |
| 26       | 94.51                        | 67.44     | -27.07                             |
| 27       | 96.89                        | 70.52     | -26.38                             |
| 28       | 88.47                        | 53.59     | -34.89                             |
| 29       | 81.14                        | 78.62     | -2.52                              |
| 31       | 66.67                        | 55.46     | -11.21                             |
| 32       | 91.58                        | 66.76     | -24.83                             |
| 33       | 85.00                        | 65.22     | -19.77                             |
| 34       | 89.35                        | 67.21     | -22.14                             |
| 35       | 84.43                        | 59.37     | -25.06                             |
| 37       | 91.94                        | 70.49     | -21.45                             |
| 40       | 89.81                        | 72.34     | -17.47                             |
| 41       | 100.00                       | 73.63     | -26.37                             |
| 44       | 76.84                        | 67.39     | -9.46                              |
| 45       | 78.58                        | 54.43     | -24.16                             |
| 46       | 80.00                        | 61.99     | -18.01                             |
| 47       | 81.81                        | 67.80     | -14.01                             |
| 48       | 86.94                        | 43.45     | -43.49                             |
| 49       | 100.00                       | 74.17     | -25.83                             |
| 51       | 92.74                        | 69.93     | -22.81                             |
| 52       | 89.00                        | 84.02     | -4.98                              |
| 53       | 91.48                        | 72.18     | -19.30                             |
| 54       | 91.41                        | 76.59     | -14.82                             |
| 55       | 79.48                        | 70.11     | -9.36                              |
| 56       | 86.04                        | 55.76     | -30.27                             |
| 57       | 68.96                        | 63.57     | -5.39                              |
| 58       | 83.36                        | 55.05     | -28.32                             |
| 59       | 86.07                        | 54.62     | -31.44                             |
| 70       | 93.46                        | 54.81     | -38.65                             |
| 73       | 69.13                        | 34.50     | -34.63                             |
| 75       | 80.00                        | 55.75     | -24.25                             |
| 80       | 59.31                        | 33.06     | -26.25                             |
| 81       | 0.00                         | 38.05     | 38.05                              |
| 83       | 92.14                        | 48.78     | -43.37                             |
| 84       | 40.00                        | 50.00     | 10.00                              |
| 86       | 20.00                        | 100.00    | 80.00                              |
| 89       | 100.00                       | 35.06     | -64.94                             |
| 91       | 14.29                        | 47.92     | 33.63                              |
| 95       | 0.00                         | 25.00     | 25.00                              |
| 96       | 90.00                        | 90.00     | 0.00                               |
| 99       | 90.00                        | 32.03     | -57.97                             |

Table 7: Logit Regression Results

The logit regressions are estimated separately for each year  $t$  of the 1985-2006 period for (i) firms that paid dividends in year  $t-1$  (Dividend Payers), (ii) firms that have Never Paid as of year  $t-1$ , and (iii) firms that did not pay in  $t-1$  but did pay in an earlier year (Former Payers). The dependent variable is 1.0 in year  $t$  if a firm pays dividends, 0.0 otherwise. The explanatory variables are the percentage of firms with the same or lower market capitalization ( $NYP_t$ ), the market-to-book ratio ( $V_t/A_t$ ), the rate of growth of assets ( $dA_t/A_t$ ), and profitability ( $E_t/A_t$ ). The table shows means (across years) of the regression intercepts and slopes, and  $t$ -statistics for the means, defined as the mean divided by its standard error (the times-series standard deviation of the regression coefficient divided by the square root of the number of years in the period).

Panel A: Global Sample (Including the US) with the Market-to-Book Ratio

|      | Average Coefficient |         |           |            |           | t-statistic |         |           |            |           |
|------|---------------------|---------|-----------|------------|-----------|-------------|---------|-----------|------------|-----------|
|      | Intercept           | $NYP_t$ | $V_t/A_t$ | $dA_t/A_t$ | $E_t/A_t$ | Intercept   | $NYP_t$ | $V_t/A_t$ | $dA_t/A_t$ | $E_t/A_t$ |
| 1986 | -0.34               | 0.04    | 0.00      | -1.54      | 5.74      | -1.91       | 10.60   | 0.09      | -3.69      | 4.98      |
| 1987 | -1.04               | 0.04    | 0.00      | -0.32      | 7.65      | -5.42       | 11.51   | 0.10      | -0.95      | 5.33      |
| 1988 | -0.63               | 0.04    | 0.00      | -0.21      | 5.33      | -4.02       | 12.00   | 0.08      | -0.55      | 5.17      |
| 1989 | -0.45               | 0.03    | 0.00      | -0.71      | 5.50      | -3.37       | 12.56   | 0.12      | -2.21      | 6.17      |
| 1990 | -0.43               | 0.03    | 0.00      | -0.89      | 8.95      | -3.43       | 11.28   | 0.17      | -2.56      | 9.30      |
| 1991 | -0.57               | 0.03    | 0.00      | -0.26      | 5.34      | -5.03       | 14.08   | 0.22      | -1.14      | 7.21      |
| 1992 | -0.64               | 0.03    | 0.00      | -0.71      | 6.39      | -6.18       | 14.70   | 0.27      | -3.13      | 9.13      |
| 1993 | -0.56               | 0.03    | 0.00      | -0.15      | 5.60      | -5.81       | 14.46   | 0.24      | -1.38      | 8.98      |
| 1994 | -0.26               | 0.02    | 0.00      | -0.19      | 5.37      | -2.69       | 10.58   | 0.28      | -3.49      | 9.39      |
| 1995 | -0.57               | 0.02    | 0.00      | -1.27      | 5.50      | -6.94       | 15.73   | 0.28      | -5.96      | 11.76     |
| 1996 | -0.66               | 0.02    | 0.00      | -2.08      | 6.04      | -8.77       | 17.27   | 0.30      | -12.05     | 13.35     |
| 1997 | -0.83               | 0.02    | 0.00      | -1.77      | 5.45      | -11.85      | 18.60   | 0.32      | -14.74     | 15.38     |
| 1998 | -0.98               | 0.02    | 0.00      | -1.82      | 6.65      | -14.35      | 18.63   | 0.33      | -16.46     | 20.34     |
| 1999 | -1.08               | 0.02    | 0.00      | -1.91      | 6.61      | -16.88      | 18.98   | 0.45      | -14.65     | 20.33     |
| 2000 | -1.03               | 0.02    | 0.00      | -0.34      | 3.52      | -17.95      | 21.71   | -0.80     | -4.25      | 16.40     |
| 2001 | -1.27               | 0.02    | 0.00      | -0.80      | 4.54      | -22.18      | 26.27   | -0.85     | -8.66      | 22.18     |
| 2002 | -1.35               | 0.02    | 0.00      | 0.00       | 3.82      | -24.98      | 28.00   | -0.80     | 0.31       | 20.96     |
| 2003 | -1.42               | 0.02    | 0.00      | -0.14      | 5.12      | -26.57      | 28.36   | 0.79      | -1.66      | 23.29     |
| 2004 | -1.52               | 0.03    | 0.00      | -0.43      | 2.84      | -29.69      | 33.84   | 0.95      | -5.47      | 17.01     |
| 2005 | -1.52               | 0.03    | 0.00      | -0.79      | 5.48      | -30.03      | 33.11   | 1.12      | -8.98      | 25.29     |
| 2006 | -1.51               | 0.03    | 0.00      | -1.50      | 5.47      | -29.69      | 35.44   | 1.20      | -16.67     | 26.56     |

Table 7, Panel B: Global Sample (Including the US) without the Market-to-Book Ratio

|      | Average Coefficient |         |            |           | t-statistic |         |            |           |
|------|---------------------|---------|------------|-----------|-------------|---------|------------|-----------|
|      | Intercept           | $NYP_t$ | $dA_t/A_t$ | $E_t/A_t$ | Intercept   | $NYP_t$ | $dA_t/A_t$ | $E_t/A_t$ |
| 1986 | -0.34               | 0.04    | -1.54      | 5.74      | -1.92       | 10.61   | -3.69      | 4.98      |
| 1987 | -1.04               | 0.04    | -0.32      | 7.65      | -5.43       | 11.52   | -0.95      | 5.33      |
| 1988 | -0.63               | 0.04    | -0.21      | 5.33      | -4.02       | 12.01   | -0.55      | 5.17      |
| 1989 | -0.45               | 0.03    | -0.71      | 5.50      | -3.37       | 12.57   | -2.21      | 6.17      |
| 1990 | -0.43               | 0.03    | -0.89      | 8.95      | -3.44       | 11.31   | -2.57      | 9.30      |
| 1991 | -0.57               | 0.03    | -0.26      | 5.34      | -5.04       | 14.12   | -1.14      | 7.20      |
| 1992 | -0.64               | 0.03    | -0.71      | 6.39      | -6.19       | 14.74   | -3.13      | 9.13      |
| 1993 | -0.56               | 0.03    | -0.15      | 5.60      | -5.82       | 14.49   | -1.38      | 8.97      |
| 1994 | -0.26               | 0.02    | -0.19      | 5.37      | -2.70       | 10.61   | -3.52      | 9.38      |
| 1995 | -0.57               | 0.02    | -1.27      | 5.50      | -6.94       | 15.75   | -5.96      | 11.76     |
| 1996 | -0.66               | 0.02    | -2.08      | 6.04      | -8.77       | 17.28   | -12.05     | 13.35     |
| 1997 | -0.83               | 0.02    | -1.77      | 5.45      | -11.86      | 18.62   | -14.74     | 15.38     |
| 1998 | -0.98               | 0.02    | -1.82      | 6.65      | -14.37      | 18.65   | -16.48     | 20.34     |
| 1999 | -1.08               | 0.02    | -1.91      | 6.61      | -16.91      | 19.03   | -14.64     | 20.33     |
| 2000 | -1.03               | 0.02    | -0.34      | 3.52      | -17.94      | 21.70   | -4.25      | 16.40     |
| 2001 | -1.27               | 0.02    | -0.80      | 4.54      | -22.17      | 26.26   | -8.67      | 22.18     |
| 2002 | -1.35               | 0.02    | 0.00       | 3.82      | -24.97      | 27.99   | 0.32       | 20.96     |
| 2003 | -1.42               | 0.02    | -0.14      | 5.12      | -26.60      | 28.42   | -1.66      | 23.29     |
| 2004 | -1.52               | 0.03    | -0.43      | 2.84      | -29.73      | 33.93   | -5.49      | 17.01     |
| 2005 | -1.52               | 0.03    | -0.79      | 5.48      | -30.08      | 33.21   | -8.99      | 25.29     |
| 2006 | -1.51               | 0.03    | -1.50      | 5.47      | -29.75      | 35.55   | -16.69     | 26.56     |



Table 7, Panel C: Rest of The World (Excluding the US) with the Market-to-Book Ratio

|      | Average Coefficient |                  |                                |                                 |                                | t-statistic |                  |                                |                                 |                                |
|------|---------------------|------------------|--------------------------------|---------------------------------|--------------------------------|-------------|------------------|--------------------------------|---------------------------------|--------------------------------|
|      | Intercept           | NYP <sub>t</sub> | V <sub>t</sub> /A <sub>t</sub> | dA <sub>t</sub> /A <sub>t</sub> | E <sub>t</sub> /A <sub>t</sub> | Intercept   | NYP <sub>t</sub> | V <sub>t</sub> /A <sub>t</sub> | dA <sub>t</sub> /A <sub>t</sub> | E <sub>t</sub> /A <sub>t</sub> |
| 1986 | 0.02                | 0.03             | 0.65                           | 0.10                            | 15.39                          | 0.03        | 2.58             | 0.91                           | 0.08                            | 2.97                           |
| 1987 | 0.17                | 0.03             | 0.11                           | -0.95                           | 11.10                          | 0.29        | 4.18             | 0.27                           | -1.06                           | 2.82                           |
| 1988 | 0.39                | 0.03             | 0.28                           | 0.30                            | 5.25                           | 0.81        | 4.97             | 0.80                           | 0.42                            | 3.13                           |
| 1989 | 0.87                | 0.03             | 0.00                           | -1.40                           | 4.59                           | 2.65        | 6.16             | 0.00                           | -2.44                           | 3.56                           |
| 1990 | 0.81                | 0.03             | -0.53                          | 0.03                            | 12.96                          | 2.97        | 6.12             | -2.88                          | 0.05                            | 7.39                           |
| 1991 | 0.23                | 0.04             | -0.28                          | 0.52                            | 6.81                           | 1.05        | 9.22             | -1.76                          | 1.50                            | 6.03                           |
| 1992 | 0.00                | 0.03             | -0.11                          | 0.66                            | 8.57                           | 0.01        | 9.58             | -0.68                          | 2.21                            | 7.29                           |
| 1993 | 0.04                | 0.03             | -0.04                          | 0.67                            | 8.15                           | 0.21        | 9.41             | -0.53                          | 2.69                            | 7.87                           |
| 1994 | 0.34                | 0.02             | -0.24                          | 0.45                            | 7.31                           | 2.13        | 8.95             | -2.84                          | 1.71                            | 7.49                           |
| 1995 | 0.61                | 0.02             | -0.29                          | 0.60                            | 6.69                           | 4.28        | 8.71             | -4.19                          | 2.06                            | 7.48                           |
| 1996 | 0.44                | 0.02             | -0.35                          | -0.70                           | 8.35                           | 3.68        | 11.35            | -6.48                          | -2.67                           | 10.42                          |
| 1997 | 0.54                | 0.02             | -0.48                          | -0.31                           | 6.18                           | 5.18        | 13.27            | -10.71                         | -2.20                           | 11.17                          |
| 1998 | -0.17               | 0.02             | -0.21                          | -0.96                           | 6.72                           | -1.94       | 13.99            | -5.76                          | -6.24                           | 14.63                          |
| 1999 | -0.32               | 0.02             | -0.16                          | -0.91                           | 7.25                           | -3.89       | 13.50            | -6.86                          | -5.43                           | 15.51                          |
| 2000 | -0.41               | 0.02             | -0.14                          | 0.11                            | 3.27                           | -5.75       | 18.10            | -8.90                          | 1.18                            | 11.65                          |
| 2001 | -0.56               | 0.03             | -0.31                          | -0.11                           | 4.17                           | -7.93       | 23.16            | -10.68                         | -2.45                           | 17.39                          |
| 2002 | -0.62               | 0.03             | -0.35                          | -0.48                           | 5.10                           | -9.10       | 23.80            | -9.60                          | -4.44                           | 20.26                          |
| 2003 | -0.76               | 0.03             | -0.34                          | 0.01                            | 5.75                           | -11.37      | 25.20            | -10.90                         | 0.12                            | 20.52                          |
| 2004 | -0.81               | 0.03             | -0.46                          | -0.22                           | 2.31                           | -12.55      | 32.43            | -16.57                         | -2.84                           | 11.71                          |
| 2005 | -0.85               | 0.03             | -0.45                          | -0.85                           | 6.82                           | -13.18      | 31.39            | -16.56                         | -8.12                           | 23.23                          |
| 2006 | -0.96               | 0.04             | -0.35                          | -1.39                           | 6.07                           | -15.43      | 33.47            | -16.73                         | -15.78                          | 22.97                          |

Table 7, Panel D: Rest of the World (Excluding the US) without the Market-to-Book Ratio

|      | Average Coefficient |                  |                                 |                                | t-statistic |                  |                                 |                                |
|------|---------------------|------------------|---------------------------------|--------------------------------|-------------|------------------|---------------------------------|--------------------------------|
|      | Intercept           | NYP <sub>t</sub> | dA <sub>t</sub> /A <sub>t</sub> | E <sub>t</sub> /A <sub>t</sub> | Intercept   | NYP <sub>t</sub> | dA <sub>t</sub> /A <sub>t</sub> | E <sub>t</sub> /A <sub>t</sub> |
| 1986 | 0.59                | 0.03             | 0.38                            | 16.26                          | 1.22        | 3.03             | 0.32                            | 3.24                           |
| 1987 | 0.27                | 0.03             | -0.99                           | 11.38                          | 0.64        | 4.45             | -1.12                           | 3.00                           |
| 1988 | 0.69                | 0.03             | 0.41                            | 5.42                           | 2.37        | 5.22             | 0.59                            | 3.27                           |
| 1989 | 0.87                | 0.03             | -1.40                           | 4.59                           | 3.73        | 6.26             | -2.44                           | 3.57                           |
| 1990 | 0.29                | 0.02             | 0.07                            | 12.43                          | 1.40        | 5.73             | 0.12                            | 7.25                           |
| 1991 | -0.03               | 0.03             | 0.47                            | 6.71                           | -0.17       | 9.21             | 1.34                            | 6.11                           |
| 1992 | -0.10               | 0.03             | 0.64                            | 8.47                           | -0.64       | 9.67             | 2.14                            | 7.38                           |
| 1993 | -0.02               | 0.02             | 0.65                            | 8.12                           | -0.13       | 9.45             | 2.65                            | 7.89                           |
| 1994 | 0.07                | 0.02             | 0.40                            | 6.75                           | 0.53        | 8.72             | 1.55                            | 7.27                           |
| 1995 | 0.30                | 0.02             | 0.54                            | 6.14                           | 2.43        | 8.31             | 1.91                            | 7.33                           |
| 1996 | 0.05                | 0.02             | -1.01                           | 7.90                           | 0.49        | 10.59            | -3.97                           | 10.28                          |
| 1997 | 0.07                | 0.02             | -0.57                           | 5.63                           | 0.78        | 11.32            | -4.06                           | 10.91                          |
| 1998 | -0.34               | 0.02             | -1.07                           | 6.56                           | -3.99       | 13.14            | -7.00                           | 14.78                          |
| 1999 | -0.44               | 0.02             | -1.10                           | 7.09                           | -5.38       | 12.31            | -6.85                           | 15.77                          |
| 2000 | -0.49               | 0.02             | 0.02                            | 3.38                           | -6.97       | 16.53            | 0.47                            | 12.41                          |
| 2001 | -0.79               | 0.02             | -0.15                           | 4.13                           | -11.77      | 21.30            | -1.78                           | 17.67                          |
| 2002 | -0.89               | 0.02             | -0.59                           | 5.15                           | -14.37      | 22.30            | -5.65                           | 21.15                          |
| 2003 | -1.05               | 0.02             | -0.18                           | 5.77                           | -16.93      | 23.53            | -2.03                           | 21.64                          |
| 2004 | -1.25               | 0.03             | -0.38                           | 2.65                           | -21.24      | 29.96            | -4.43                           | 14.31                          |
| 2005 | -1.29               | 0.03             | -1.01                           | 6.25                           | -21.81      | 29.24            | -10.08                          | 23.77                          |
| 2006 | -1.26               | 0.03             | -1.64                           | 6.01                           | -21.34      | 31.32            | -15.99                          | 24.65                          |

Table 8: Estimates from Logit Regressions of The Effect of Changing Characteristics of the Percentage of Firms Paying Dividends

We use all firms for each year of the 1985-95 base period to estimate logit regressions that explain whether a firm pays dividends. The explanatory variables are profitability ( $E_t/A_t$ ), the growth rate of assets ( $dA_t/A_t$ ), the market-to-book ratio ( $V_t/A_t$ ), and the percent of firms with the same or lower market capitalization ( $NYP_t$ ). Firms is the number of firms in the sample for a year, or the average for a period. Payers is the number (or average number) of dividend payers. Actual Percent is the percent of payers (the ratio of payers to firms, times 100). The Expected Percent of payers for a year  $t$  is estimated by applying the average logit regression coefficients for 1985-95 to the values of the explanatory variables for each firm for year  $t$ , summing over firms, dividing by the number of firms, and then multiplying by 100. The evolution of Expected Percent measures the effects of changing characteristics on the percent of dividend payers. Expected - Actual measures the effect of propensity to pay. We use  $V_t/A_t$  and  $dA_t/A_t$  to control for investment opportunities. There are two sets of results, one with both the market-to-book ratio and the growth rate of assets as proxies for investment opportunities, and another with the latter measure only.

Panel A: Global (Including the US)

|                | Firms | Payers | Actual % | $V_t / A_t$ and $dA_t / A_t$ |                   | $dA_t / A_t$ |                   |
|----------------|-------|--------|----------|------------------------------|-------------------|--------------|-------------------|
|                |       |        |          | Expected %                   | Expected – Actual | Expected %   | Expected – Actual |
| <b>1985-95</b> | 5732  | 4002   | 69.82    |                              |                   |              |                   |
| <b>1996</b>    | 6459  | 4425   | 68.51    | 99.39                        | 30.89             | 94.16        | 25.65             |
| <b>1997</b>    | 6997  | 4642   | 66.34    | 90.37                        | 24.03             | 99.09        | 32.74             |
| <b>1998</b>    | 8047  | 4951   | 61.53    | 90.42                        | 28.90             | 98.31        | 36.79             |
| <b>1999</b>    | 9128  | 5282   | 57.87    | 93.49                        | 35.63             | 97.94        | 40.07             |
| <b>2000</b>    | 10837 | 5882   | 54.28    | 96.32                        | 42.04             | 90.58        | 36.30             |
| <b>2001</b>    | 12407 | 6427   | 51.80    | 99.06                        | 47.26             | 90.56        | 38.76             |
| <b>2002</b>    | 13388 | 6843   | 51.11    | 91.53                        | 40.42             | 93.10        | 41.98             |
| <b>2003</b>    | 13895 | 7208   | 51.87    | 92.08                        | 40.20             | 98.67        | 46.80             |
| <b>2004</b>    | 14928 | 7809   | 52.31    | 91.39                        | 39.08             | 98.25        | 45.94             |
| <b>2005</b>    | 15714 | 8367   | 53.25    | 94.78                        | 41.54             | 93.87        | 40.62             |
| <b>2006</b>    | 17106 | 9121   | 53.32    | 90.49                        | 37.17             | 90.60        | 37.28             |

Table 8, Panel B: The rest of the world (Excluding the US)

|                | Firms | Payers | Actual % | $V_t / A_t$ and $dA_t / A_t$ |                   | $dA_t / A_t$ |                   |
|----------------|-------|--------|----------|------------------------------|-------------------|--------------|-------------------|
|                |       |        |          | Expected %                   | Expected – Actual | Expected %   | Expected – Actual |
| <b>1985-95</b> | 4128  | 3412   | 82.66    |                              |                   |              |                   |
| <b>1996</b>    | 4755  | 3847   | 80.90    | 93.71                        | 12.80             | 91.96        | 11.06             |
| <b>1997</b>    | 5157  | 4059   | 78.71    | 75.72                        | -2.99             | 91.48        | 12.77             |
| <b>1998</b>    | 5957  | 4354   | 73.09    | 92.12                        | 19.03             | 94.38        | 21.29             |
| <b>1999</b>    | 6908  | 4682   | 67.78    | 91.92                        | 24.14             | 97.96        | 30.18             |
| <b>2000</b>    | 8460  | 5297   | 62.61    | 95.56                        | 32.95             | 90.74        | 28.13             |
| <b>2001</b>    | 9976  | 5851   | 58.65    | 82.03                        | 23.38             | 82.86        | 24.21             |
| <b>2002</b>    | 10902 | 6277   | 57.58    | 89.16                        | 31.58             | 78.05        | 20.48             |
| <b>2003</b>    | 11342 | 6598   | 58.17    | 91.63                        | 33.45             | 95.46        | 37.28             |
| <b>2004</b>    | 12199 | 7097   | 58.18    | 93.16                        | 34.98             | 98.46        | 40.28             |
| <b>2005</b>    | 12861 | 7579   | 58.93    | 93.68                        | 34.75             | 90.84        | 31.91             |
| <b>2006</b>    | 14085 | 8290   | 58.86    | 92.88                        | 34.02             | 90.92        | 32.06             |

Table 9: Percents of Dividend Payers in 27 Portfolios Formed on Size, Profitability, and either Market-to-Book Ratio or Investment Outlays

|                    | Investment Opportunities Proxied by $Vt/At$ |         |       |                |         |       |              |         |       |
|--------------------|---|---------|-------|----------------|---------|-------|--------------|---------|-------|
|                    | Low $Et/At$                                 |         |       | Medium $Et/At$ |         |       | High $Et/At$ |         |       |
|                    | Low   | $Vt/At$ | High  | Low            | $Vt/At$ | High  | Low          | $Vt/At$ | High  |
| Small Firms        |   |         |       |                |         |       |              |         |       |
| <b>1985-1995</b>   | 44.44                                       | 51.96   | 49.81 | 55.21          | 58.47   | 52.30 | 74.40        | 72.95   | 68.65 |
| <b>1996</b>        | 57.01                                       | 50.00   | 33.46 | 60.71          | 63.53   | 46.10 | 74.47        | 69.50   | 58.90 |
| <b>1997</b>        | 46.03                                       | 54.50   | 36.39 | 68.42          | 66.67   | 48.61 | 87.50        | 81.94   | 56.25 |
| <b>1998</b>        | 37.40                                       | 41.41   | 31.00 | 28.17          | 39.25   | 25.14 | 66.10        | 61.45   | 46.80 |
| <b>1999</b>        | 37.21                                       | 40.31   | 25.75 | 27.78          | 35.78   | 25.41 | 65.83        | 53.59   | 49.83 |
| <b>2000</b>        | 40.38                                       | 34.94   | 22.46 | 22.62          | 29.92   | 15.64 | 59.29        | 48.58   | 43.47 |
| <b>2001</b>        | 32.80                                       | 29.52   | 15.15 | 5.43           | 23.19   | 7.83  | 43.79        | 45.89   | 40.89 |
| <b>2002</b>        | 26.49                                       | 26.80   | 12.20 | 10.00          | 10.00   | 7.20  | 33.73        | 42.63   | 27.82 |
| <b>2003</b>        | 39.29                                       | 28.81   | 13.71 | 13.59          | 11.61   | 7.72  | 47.67        | 44.79   | 32.71 |
| <b>2004</b>        | 39.49                                       | 30.15   | 15.16 | 19.81          | 19.50   | 5.64  | 48.30        | 45.86   | 31.22 |
| <b>2005</b>        | 37.46                                       | 39.92   | 15.70 | 18.92          | 8.93    | 2.87  | 45.95        | 48.03   | 31.61 |
| <b>2006</b>        | 36.47                                       | 33.40   | 12.74 | 25.56          | 21.11   | 8.11  | 57.01        | 51.05   | 39.82 |
| Medium-Sized Firms |   |         |       |                |         |       |              |         |       |
| <b>1985-1995</b>   | 77.00                                       | 84.58   | 69.17 | 84.43          | 74.28   | 67.34 | 80.90        | 81.60   | 70.37 |
| <b>1996</b>        | 77.91                                       | 83.27   | 44.85 | 76.19          | 69.05   | 54.98 | 74.29        | 73.33   | 64.96 |
| <b>1997</b>        | 75.13                                       | 81.72   | 41.41 | 83.53          | 72.44   | 46.48 | 82.98        | 73.71   | 58.76 |
| <b>1998</b>        | 73.39                                       | 76.35   | 44.62 | 70.97          | 65.00   | 44.44 | 78.71        | 66.67   | 61.70 |
| <b>1999</b>        | 75.09                                       | 68.84   | 41.63 | 65.09          | 56.60   | 45.66 | 71.59        | 69.81   | 61.76 |
| <b>2000</b>        | 59.23                                       | 59.53   | 31.48 | 55.88          | 51.47   | 41.64 | 65.20        | 69.12   | 66.73 |
| <b>2001</b>        | 58.09                                       | 53.95   | 30.52 | 51.01          | 45.98   | 35.83 | 69.48        | 72.65   | 60.67 |
| <b>2002</b>        | 56.71                                       | 51.73   | 29.32 | 41.46          | 45.12   | 28.47 | 67.40        | 67.40   | 59.65 |
| <b>2003</b>        | 69.44                                       | 43.96   | 29.33 | 61.35          | 45.53   | 29.76 | 79.49        | 72.86   | 57.25 |
| <b>2004</b>        | 67.05                                       | 52.88   | 28.25 | 58.82          | 49.42   | 23.42 | 77.82        | 67.99   | 56.04 |
| <b>2005</b>        | 69.96                                       | 57.52   | 28.37 | 51.65          | 51.82   | 21.05 | 78.62        | 70.61   | 54.47 |
| <b>2006</b>        | 66.53                                       | 56.40   | 25.44 | 53.81          | 48.65   | 22.06 | 79.64        | 68.42   | 56.62 |
| Large Firms        |   |         |       |                |         |       |              |         |       |
| <b>1985-1995</b>   | 88.16                                       | 91.96   | 88.08 | 93.15          | 91.42   | 82.98 | 91.56        | 90.32   | 81.05 |
| <b>1996</b>        | 80.72                                       | 86.67   | 67.15 | 88.51          | 85.20   | 65.05 | 86.64        | 85.75   | 68.55 |
| <b>1997</b>        | 87.06                                       | 82.51   | 59.62 | 83.73          | 80.00   | 65.47 | 84.48        | 78.42   | 63.88 |
| <b>1998</b>        | 86.97                                       | 80.26   | 51.95 | 76.88          | 70.71   | 65.10 | 79.42        | 77.47   | 66.32 |
| <b>1999</b>        | 82.64                                       | 80.37   | 38.83 | 71.36          | 72.17   | 58.64 | 75.80        | 76.50   | 63.10 |
| <b>2000</b>        | 66.35                                       | 60.76   | 22.28 | 80.56          | 79.86   | 65.14 | 76.04        | 73.61   | 66.00 |
| <b>2001</b>        | 67.44                                       | 55.85   | 20.16 | 77.01          | 76.69   | 61.10 | 79.39        | 76.37   | 67.00 |
| <b>2002</b>        | 45.83                                       | 52.70   | 54.86 | 77.06          | 72.75   | 63.65 | 76.15        | 74.82   | 67.94 |
| <b>2003</b>        | 66.20                                       | 57.97   | 33.86 | 79.22          | 73.25   | 56.92 | 83.06        | 78.52   | 66.58 |
| <b>2004</b>        | 67.19                                       | 57.87   | 30.91 | 80.15          | 77.25   | 58.80 | 82.26        | 80.87   | 67.75 |
| <b>2005</b>        | 68.78                                       | 56.47   | 24.09 | 82.75          | 81.21   | 59.55 | 82.94        | 83.50   | 69.48 |
| <b>2006</b>        | 67.30                                       | 51.06   | 23.41 | 84.27          | 78.48   | 60.93 | 82.17        | 79.78   | 74.86 |

Table 9 (Continued)

|                    | Investment Opportunities Proxied by $Vt/At$ |          |       |                |          |       |              |          |       |
|--------------------|---|----------|-------|----------------|----------|-------|--------------|----------|-------|
|                    | Low $Et/At$                                 |          |       | Medium $Et/At$ |          |       | High $Et/At$ |          |       |
|                    | Low   | $dAt/At$ | High  | Low            | $dAt/At$ | High  | Low          | $dAt/At$ | High  |
| Small Firms        |   |          |       |                |          |       |              |          |       |
| <b>1985-1995</b>   | 36.99                                       | 43.77    | 64.06 | 47.62          | 54.80    | 60.99 | 64.57        | 76.48    | 74.14 |
| <b>1996</b>        | 42.57                                       | 38.89    | 46.41 | 51.19          | 59.46    | 53.23 | 74.16        | 61.82    | 58.47 |
| <b>1997</b>        | 29.71                                       | 47.37    | 50.18 | 71.01          | 68.29    | 45.26 | 75.00        | 71.53    | 66.96 |
| <b>1998</b>        | 25.74                                       | 36.55    | 45.64 | 22.73          | 29.76    | 36.88 | 50.00        | 65.16    | 52.53 |
| <b>1999</b>        | 18.37                                       | 36.08    | 45.06 | 34.31          | 29.90    | 25.15 | 56.74        | 62.89    | 47.17 |
| <b>2000</b>        | 17.85                                       | 31.58    | 39.71 | 25.00          | 22.68    | 16.77 | 44.71        | 52.98    | 48.40 |
| <b>2001</b>        | 14.08                                       | 18.18    | 35.01 | 12.44          | 18.00    | 7.78  | 38.89        | 42.49    | 46.44 |
| <b>2002</b>        | 8.98  | 18.78    | 25.36 | 10.92          | 12.59    | 5.04  | 24.37        | 29.29    | 40.45 |
| <b>2003</b>        | 9.42  | 23.63    | 30.04 | 11.40          | 12.58    | 7.94  | 36.95        | 42.11    | 38.83 |
| <b>2004</b>        | 7.58  | 23.64    | 34.20 | 15.45          | 14.38    | 10.20 | 31.12        | 45.35    | 38.84 |
| <b>2005</b>        | 14.58                                       | 28.54    | 33.77 | 4.23           | 14.10    | 6.15  | 38.10        | 43.70    | 37.42 |
| <b>2006</b>        | 8.29  | 24.78    | 31.18 | 16.23          | 17.42    | 13.85 | 48.92        | 48.00    | 42.67 |
| Medium-Sized Firms |   |          |       |                |          |       |              |          |       |
| <b>1985-1995</b>   | 65.94                                       | 79.04    | 81.19 | 71.53          | 77.97    | 70.72 | 74.42        | 81.38    | 73.74 |
| <b>1996</b>        | 53.01                                       | 82.16    | 58.47 | 62.70          | 68.47    | 60.87 | 73.62        | 72.62    | 63.44 |
| <b>1997</b>        | 46.28                                       | 73.53    | 59.73 | 69.23          | 70.00    | 52.74 | 69.68        | 83.08    | 58.15 |
| <b>1998</b>        | 45.35                                       | 69.84    | 64.05 | 71.17          | 53.73    | 49.55 | 75.58        | 68.57    | 59.83 |
| <b>1999</b>        | 38.16                                       | 61.16    | 64.57 | 71.85          | 54.73    | 41.30 | 74.09        | 76.05    | 55.28 |
| <b>2000</b>        | 30.84                                       | 56.03    | 49.44 | 46.19          | 52.49    | 45.21 | 70.18        | 73.85    | 60.68 |
| <b>2001</b>        | 28.94                                       | 55.26    | 48.21 | 32.86          | 42.79    | 47.02 | 60.61        | 72.07    | 65.88 |
| <b>2002</b>        | 20.24                                       | 49.24    | 47.21 | 36.52          | 41.08    | 32.84 | 53.33        | 67.85    | 65.81 |
| <b>2003</b>        | 16.45                                       | 53.75    | 46.60 | 36.57          | 46.69    | 39.05 | 54.60        | 71.57    | 68.90 |
| <b>2004</b>        | 24.62                                       | 59.97    | 42.93 | 34.02          | 34.41    | 42.62 | 58.66        | 70.32    | 62.72 |
| <b>2005</b>        | 26.61                                       | 61.81    | 45.03 | 31.63          | 43.68    | 34.40 | 64.88        | 69.37    | 60.68 |
| <b>2006</b>        | 27.21                                       | 58.48    | 40.98 | 42.32          | 33.57    | 34.98 | 70.62        | 66.98    | 59.18 |
| Large Firms        |   |          |       |                |          |       |              |          |       |
| <b>1985-1995</b>   | 82.52                                       | 92.00    | 91.52 | 86.53          | 91.34    | 85.84 | 87.47        | 93.55    | 80.41 |
| <b>1996</b>        | 73.06                                       | 88.52    | 69.36 | 80.45          | 82.08    | 69.60 | 84.27        | 86.40    | 67.39 |
| <b>1997</b>        | 70.03                                       | 86.41    | 64.22 | 78.53          | 86.31    | 63.34 | 81.01        | 84.52    | 60.64 |
| <b>1998</b>        | 68.80                                       | 84.12    | 56.84 | 77.29          | 76.84    | 60.79 | 82.16        | 82.86    | 61.48 |
| <b>1999</b>        | 44.57                                       | 78.49    | 56.93 | 67.20          | 74.32    | 58.81 | 76.76        | 80.37    | 59.63 |
| <b>2000</b>        | 43.55                                       | 58.04    | 32.82 | 70.40          | 77.02    | 71.16 | 75.50        | 81.80    | 60.64 |
| <b>2001</b>        | 38.84                                       | 50.00    | 35.29 | 76.92          | 74.54    | 61.90 | 81.12        | 79.46    | 63.91 |
| <b>2002</b>        | 44.84                                       | 49.67    | 58.30 | 76.45          | 71.91    | 64.16 | 75.29        | 73.24    | 69.13 |
| <b>2003</b>        | 33.40                                       | 48.02    | 54.50 | 58.68          | 68.04    | 68.46 | 71.16        | 76.94    | 72.35 |
| <b>2004</b>        | 37.55                                       | 51.66    | 47.44 | 59.95          | 70.86    | 70.97 | 74.38        | 78.87    | 72.11 |
| <b>2005</b>        | 38.72                                       | 54.44    | 37.60 | 73.75          | 76.58    | 65.81 | 82.67        | 82.92    | 69.78 |
| <b>2006</b>        | 42.99                                       | 47.17    | 35.31 | 84.18          | 70.85    | 65.12 | 82.34        | 82.36    | 73.10 |

Table 10: Effects of Changing Characteristics and Propensity to Pay on the Percentages of Firms Paying Dividends, Estimated from 27 Portfolios Formed on Size, Profitability ( $E_t/A_t$ ), and either Market-to-Book Ratio ( $V_t/A_t$ ) or Investment Outlays ( $dA_t/A_t$ )

|                | Number of Firms | Actual Percentage | $V_t / A_t$         |                   | $dA_t / A_t$        |                   |
|----------------|-----------------|-------------------|---------------------|-------------------|---------------------|-------------------|
|                |                 |                   | Expected Percentage | Expected – Actual | Expected Percentage | Expected – Actual |
| <b>1985-95</b> | 35156           | 78.23             |                     |                   |                     |                   |
| <b>1996</b>    | 6459            | 68.51             | 77.99               | 9.48              | 77.99               | 9.48              |
| <b>1997</b>    | 6997            | 66.34             | 77.86               | 11.51             | 78.42               | 12.08             |
| <b>1998</b>    | 8047            | 61.53             | 78.01               | 16.49             | 78.15               | 16.63             |
| <b>1999</b>    | 9128            | 57.87             | 77.84               | 19.98             | 78.08               | 20.21             |
| <b>2000</b>    | 10837           | 54.28             | 77.66               | 23.38             | 77.71               | 23.44             |
| <b>2001</b>    | 12407           | 51.80             | 77.57               | 25.77             | 77.53               | 25.73             |
| <b>2002</b>    | 13388           | 51.11             | 77.64               | 26.53             | 78.26               | 27.14             |
| <b>2003</b>    | 13895           | 51.98             | 77.72               | 25.75             | 78.48               | 26.62             |
| <b>2004</b>    | 14928           | 52.31             | 77.54               | 25.23             | 78.18               | 25.87             |
| <b>2005</b>    | 15714           | 53.25             | 77.50               | 24.25             | 78.13               | 24.88             |
| <b>2006</b>    | 17106           | 53.32             | 77.64               | 24.32             | 78.14               | 24.82             |