

LOWER PROPENSITY TO PAY DIVIDENDS? NEW EVIDENCE FROM EUROPE

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ABSTRACT

Recently, some empirical studies reported the phenomenon of the low propensity of firms to dividend payment, concluding that companies have become less likely to pay dividends. In addition, the major parts of these studies sustain the investors' expectations regarding dividend payments also decreased.

We analyse the propensity to pay dividends in three European markets: Portugal, France and the UK. Although they are all European markets, they are different from each other for several reasons. Firstly, the UK is one of the most important European capital markets, whereas the French and Portuguese markets are smaller, specially Portugal, that is a very small market compared to other Western European markets. Additionally, these two markets are less intensively researched. Secondly, we have differences in these countries associated with the ownership of equity. In Portugal and France ownership tends to be more concentrated than in the UK. Thirdly, Portugal and France are bank-based system, whereas the UK is a market-based system. Finally, the legal rules covering protection of corporate shareholders is different in the three countries. While the UK is a country of Anglo-Saxon influence, the other two countries are characterised by a continental influence.

We find evidence of the decline of firms paying dividends, except for the French market. Moreover, we find evidence suggesting that the Portuguese market does not have such a smoothing dividend policy like the US or the UK markets, but it has a more volatile dividend policy, such as the case of the German market.

Key Words: *Cash Dividends, Dividend Payments*

JEL Classification: G35, G32

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1. INTRODUCTION

Recently some empirical studies reported the phenomenon of the low propensity of firms to dividend payment, sustaining investors' expectations regarding dividend payments also decreased. The first studies on this topic have analysed the US market.

Fama and French (2001) have studied the dividend payment decrease phenomenon in recent years on the American market. The number of firms that pay dividends has decreased significantly during the 1980's and 1990's, since in 1978, 66.5% of firms listed on NYSE, AMEX and NASDAQ (excluding financial organizations and public utility) distributed dividends, while in 1999 this percentage was only 20.8%. The authors state that there are three main factors for the dividend payment decision, which are profitability, growth and a firm's size. The firms that pay dividends tend to be the ones of larger size, higher profitability, but the ones having fewer growth opportunities. On the whole, and apart from these characteristics, firms tend to pay fewer dividends. The small propensity to pay dividends suggests that the perceived benefits of dividends have been decreasing through time, namely because of the fiscal disadvantage of it related to capital gains. If we consider share repurchases as an extra earnings payment to investors, the increase of share repurchases in the 1990s may imply an increase in the target payout ratio of dividends. However, it is necessary to be cautious as the global ratio disguises the evidence of a low propensity to dividend payments. As the evidence shows that share repurchases happen in firms that pay dividends, dividend decline is still unexplained¹. About this phenomenon, Bratton (2005) refers that if dividends were the sole means of paying out cash, the payout ratio would have declined even more.

¹ Reynolds (2004) and Brav *et al.* (2005) examine the determinants of the choice between dividends and share repurchases, concluding that firms do not appear to randomly choose between the various payout choices. Reynolds (2004) observes the choice is the result of a deliberate and specific decision made by the firm in the interest of shareholders' wealth maximising, based on firms' characteristics and Brav *et al.*

Banerjee, Gatchev and Spindt (2002) develop Fama and French's approach to evaluate the market liquidity increase effect on dividend payments between 1963 and 2001. The authors considered the hypothesis that market liquidity increase is negatively related to the proportion of firms that pay dividends, finding evidence that supports this hypothesis, since their results show that part of the lower motivation to pay dividends seems to be explained by the share transaction increase. When they estimated the probability that firms will pay dividends, taking into account the three factors defined by Fama and French (2001) - profitability, growth and firms size - they conclude that larger and more profitable firms pay higher dividends, while those that have more growth opportunities pay lower dividends, which is consistent with the former authors' results. Banerjee, Gatchev and Spindt conclude that the inferior propensity to dividend payment is not significantly influenced by fiscal reasons or by a firm's share repurchase policy.

Baker and Wurgler (2002) analyse possible causes for the change in the propensity to dividend payments between 1963 and 2000, emphasising the propensity decrease in the period after 1978, already documented by Fama and French (2001). They conclude that the best explanation for the disappearance of dividends is offered by the "*catering theory of dividend*²". Dividend payment by firms responds to investor demand for dividend proxies by the dividend premium, the difference between the market-to-book ratios of dividend payers and non-payers in a given year. Baker and Wurgler find no support for the asymmetric information theory or the clienteles' theory in influencing, at least in a significant way, the propensity to pay dividends.

DeAngelo, DeAngelo and Skinner (2004) find evidence of a substantial increase in the concentration of earnings as well as dividends between 1978 and 2000. In the last year, the 25 largest dividend paying firms account for over 50% of the earnings and dividends paid. The authors conclude that the "*repurchase puzzle*" is not yet solved, since share repurchases have not displaced dividends as the preferred form of payout, despite their tax advantages. Like Baker and Wurgler, they argue that the aggregate evidence does not support either signalling or the clientele hypothesis.

(2005) conclude that maintaining the dividend level is on par with investment decisions, while repurchases are made out of the residual cash flow after investment spending.

² According to the authors, the catering theory supports the idea that firms tend to pay dividends when the share prices of the firms that distribute dividends are higher than those that do not pay it.

Bulan, Subramanian and Tanlu (2004) study the changes in the characteristics of American listed firms around dividend initiations during the period 1963 to 1998 and suggest that the timing of dividend initiations is best explained by a synthesis of the maturity hypothesis [Grullon, Michaely and Swaminathan (2002)] with the catering theory [Baker and Wurgler (2002)]. Initiators are large firms, with slow growth and high profitability, as predicted by the maturity hypothesis³. However, they find no significant decline in risk around a dividend initiation, in contrast with Grullon, Michaely and Swaminathan's results for dividend increases. Their results are in line with the predictions of the catering theory, since dividend initiations are more likely when the premium is higher. In sum, initiations tend to occur when mature firms find an appropriate moment: when market sentiment favours dividends. Contrary to the signalling theory, Bulan, Subramanian and Tanlu find that dividend initiations do not signal any significant change in the growth rate or profitability of a firm. Furthermore, they conclude that repurchases and dividends play different roles, not being substitute methods of paying out cash.

Loderer and Roth (2005) examine whether the cash that firms distribute to their shareholders justifies the firm's share prices, studying a sample of firms traded on the NYSE, AMEX and NASDAQ in the 1926-2002 period. They found evidence that the importance of ordinary dividends as a means of cash distribution has fallen during the past three decades to a level between 10% and 49%. Moreover, their results show that small firms pay cash dividends less frequently than the large firms and NASDAQ firms tend to pay ordinary dividends less often than AMEX and NYSE firms. Their results suggest a contemporaneous improvement in market liquidity. Furthermore, the evidence found is roughly consistent with information efficient markets.

Very recently, DeAngelo, DeAngelo and Stulz (2006) found evidence of no change in the companies' propensity to pay dividends from the mid-1970s to 2002 for the companies with negative retained earnings. However, the other firms have a propensity reduction that is approximately twice the overall reduction in Fama and French (2001).

Recent studies extend the analysis to other countries in addition to the US, such as Reddy and Rath (2005), Ferris, Sen and Yui (2004) and Osobov (2004).

³ In the mature stage of their life cycle, these firms generate a lot of cash, but do not find many profitable investment opportunities.

Reddy and Rath (2005) follow the Fama and French (2001) approach to analyse the impact of profitability, size and growth on the dividend payout of Indian firms over the 1990-2001 period. Their results document a decline in dividend-paying firms⁴. Further, they found that dividend-paying firms are more profitable and larger in size than non-paying firms, which is in agreement with Fama and French's (2001) results. However, they found no significant relation between a firm's growth and dividend payments, which contradicts the findings of Fama and French.

Ferris, Sen and Yui (2004) test whether the recent disappearance of dividends is solely a US phenomenon or part of a more global trend, analysing eleven common law and fourteen civil law countries over the period from 1990 to 2001⁵. In general, their findings are consistent with patterns observed for US firms. They find that the propensity to pay dividends declines over their sample period and is most pronounced for firms incorporated in common law countries⁶. They find that the growing incidence of non-dividend paying firms is explained by the increase in the percentage of firms that have never paid dividends. What appears to be sensitive to the legal regime is the resistance to initiating dividends, more evident on common law nations. Furthermore, Ferris, Sen and Yui find that firms in common law countries tend to be more profitable, to have more abundant growth opportunities and to be bigger than their civil law counterparts.

Osobov (2004) analyses corporate dividend decisions of international firms, using the methodology of Fama and French (2001). The countries included in the analysis are the US, Canada, UK, Germany, France and Japan, for the period between 1981 and 2002. The results indicate a decline in the propensity of firms to pay dividends in all countries, although the magnitude of the decline and the percents of payers at the end of the study vary across countries⁷. The author evaluates whether firm size, profitability and growth opportunities affect dividend decisions. Larger and more profitable firms are more

⁴ The percentage of Indian firms paying dividends has declined from 60.5% in 1990 to 32.1% in 2001.

⁵ The classification of the countries between common or civil law was based on La Porta *et al.* (1998). Examples of common law countries are Australia, Canada, Hong Kong, Thailand, UK and US, and civil law countries are Japan, France, Italy, Germany, Spain and Switzerland.

⁶ At the beginning of their sample period, 81.4% of the sample firms pay dividends, but by 2001, this value declines to only 58.3%. The US and Canadian firms exhibit the greatest decrease in the number of dividend payers.

⁷ While in the US and Canada the proportion of dividend payers in 2002 is about 20%, the corresponding proportion in the UK, Germany and France are in the range of 42.7 to 61.0% and in Japan is 83.8%.

likely to pay dividends in all countries, while the effect of growth opportunities depends on the country's legal origin. Consistent with the findings of La Porta *et al.* (2000) and Fama and French (2001), the relationship between growth opportunities and the likelihood of dividend payments in the US, Canada and UK is negative. However, in Germany, France, and Japan it is mixed. The author replicates the tests of Baker and Wurgler (2002) to evaluate the *catering hypothesis* and the results are consistent with catering theory in the common law countries but not in the civil law countries. Furthermore, Osobov finds results consistent with the agency theory. The high concentration of dividends among few large firms, which is consistent with some authors' evidence such as DeAngelo, DeAngelo and Skinner (2004), challenges the signalling theory. The results cast some doubts on equilibrium clientele theories and on signalling theories as candidate common explanations of the declining propensity to pay dividends. Moreover, Osobov finds no significant relationship between the propensity to pay dividends and share repurchases, which is consistent with the evidence of Fama and French (2001).

Although the recent evidence of a decline in the propensity of firms to pay dividends, they continue to be a relevant topic in the finance literature.

The remainder of this paper is organised as follows. Section 2 presents the sample selection. Section 3 presents and discusses the empirical results and section 4 provides the conclusion.

2. SAMPLE SELECTION

The sample is drawn from dividend announcements of firms listed on the Euronext Lisbon (EL), Euronext Paris (EP) and LSE. For the French and UK markets, we consider the dividend announcements between 1994⁸ and 2002. Announcement dates are available on *Bloomberg* database and all other needed information is available on *Datastream* database. For the Portuguese market we consider the dividend

⁸ The first year (1994) is conditioned by the availability of announcement dates on *Bloomberg* database.

announcements between 1988 and 2002⁹. Because *Bloomberg* and *Datastream* lack information on the Portuguese market, we obtain data from *Dhatis*, an EL database and we also needed to collect some financial statements directly from the companies.

We consider all the non-financial listed firms whose data are available on *Datastream* or *Dhatis* databases. We exclude financial firms to be consistent with other studies done in this subject, like the ones of Fama and French (2001) and Banerjee, Gatchev and Spindt (2002).

3. EMPIRICAL RESULTS

We start this section by presenting the trends in the dividend payment pattern of the non-financial listed firms on the three markets. Following, we compare these results with several studies done in the US market, like the ones of Fama and French (2001), Baker and Wurgler (2002) and Reynolds (2004), as well as abroad the US market, such as the recent studies of Ferris, Sen and Yui (2004), applied to eleven common law and fourteen civil law countries, and Osobov (2004), applied to US, Canada, UK, Germany, France and Japan.

Table 1 shows the total number of non-financial firms listed on EL, EP and LSE each year during the period considered in each country, and the number of firms that, for each year, pay cash dividends (payers) and do not pay cash dividends (non-payers), according to the information available on *Datastream* database.

The Portuguese market is smaller than other Western European markets, namely the UK and French markets, as we can see by the smaller number of non-financial listed firms. We want to begin by emphasising the significant decline in the total number of non-financial firms listed on EL during the sample period. It has fallen from 140 in 1988, to 43, in 2002, representing a decline of about 69.3%. The decline along the period is due, in part, to firms disappearing through merger and acquisitions or bankruptcy. The Portuguese market specificities of instability, illiquidity and thin trading influence this

⁹ For the Portuguese sample we consider a longer period than for the two other samples, in order to maximise the number of observations, since this is a small market, with a small number of dividend events (as we will see later).

general behaviour. Although this decline is continuous, it declines sharply from 1991 to 1992. During this specific period the market suffered a structural and functional reform, with the publication of the Securities Market Code and the establishment of the Portuguese Securities Market Commission (CMVM). The new rules of supervision and market regulation lead to a significant number of delisted firms.

The number of non-financial firms that paid dividends has fallen continuously from 93 firms in 1988 to only 18 in 2002. However, the percentage of companies paying dividends has declined only from 66.43% in 1988 to 41.86% in 2002. This is explained by the fact that the total number of firms listed on EL also declined significantly, as we said before and which can be seen also in Figure 1. So, both the decline of the numerator (the number of dividend payers) and the denominator (the number of sample firms) contribute to the softer decline of percents. In the last two years the percentage of firms that do not pay dividends became higher than that of dividend payers, which coincides with a period of market recession¹⁰.

In France, the total number of non-financial firms listed on EP has decreased continuously during the sample period. It has decreased from 414 firms in 1992, to 224, in 2002. However, the number of non-financial firms that paid dividends has grown continuously from 1992 (101 firms) to 2001 (150 firms), representing an increase of 48.5%. However, from 2001 to 2002, the number of dividend payers has fallen to 146, but we cannot say firms become less likely to pay dividends, as the total number of non-financial firms has also declined. The percentage of dividend payers increased from 24.40% to 65.18% in the 1992-2002 period, which is significant. The difference between absolute and relative values is due to the relevant decrease of the total number of non-financial firms listed on EP. Although Osobov (2004) found a low percentage decline in dividend payers in the French market, he points out the fact that the percentage of payers is significantly higher than the percentage of dividend non-payers¹¹. The increase of the numerator (the number of dividend payers) and the decrease of the denominator (the number of sample firms) contribute to the higher growth of the percentage. Surprisingly, in 1999, the number of dividend payers became

¹⁰ The decline in the percent of firms paying dividends raises the issues of what are the characteristics of dividend payers and if firms with these characteristics become less likely to pay dividends, but we will not address these questions since this is beyond the scope of this study.

¹¹ Although he finds a percentage of dividend payers of 62.9 % for 2001 and 61.0% for 2002, we find the percentages of, respectively, 61.73% and 65.18%, which are not very different.

higher than that of dividend non-payers, and this relation is maintained until 2002, as we can see easily in Figure 1.

The UK market is the most significant capital market in our study. It shows an increase in the total number of non-financial firms listed on LSE during the period from 1994 to 2000, in contrast to what happens in Portugal and France. It has increased from 753 firms in 1994, to 984, in 2000. However, this number declined during the two subsequent years, and, in 2002, this number has declined to 940. In fact, the year 2001 was characterised by a slowing down in the world economic growth, which can explain this evolution. The number of non-financial firms that paid dividends has increased continuously from 1994 to 2000, but it has decreased in 2001 and 2002. In spite of the decrease in the number of dividend payers, in percentage it does not happen, because the number of total non-financial firms has a higher decline. The percentage of dividend payers is slightly higher than the percentage of non-dividend payers, as we can also see in Figure 1. The same evidence was found by Osobov (2004) and Ferris, Sen and Yui (2004)¹².

Overall, the evidence found in several recent studies of the decline of firms paying dividends in different markets, such as the US market [Fama and French (2001) and Baker and Wurgler (2002)], several common and civil law countries, including European Markets [Ferris, Sen and Yui (2004) and Osobov (2004)] and the Indian market [Reddy and Rath (2005)], being this last one a small market, are consistent with our findings for Portugal, and, partially for the UK, but in contrast with France results. Moreover, the results suggest that European markets have a higher percentage of dividend payers firms, independently of the evolution. In the year of 1999, the percentage of firms paying dividends in the US market was 20.8% [Fama and French (2001)], in India was 32.1%, including financial firms [Reddy and Rath (2005)], and we find a percentage of 67.86% for Portugal, 53.14% for France and 53.17% for the UK market.

¹² Our numbers for the French and the UK markets differ from the ones of Osobov (2004) and Ferris, Sen and Yui (2004). However, the first author collected his data from *Worldscope* database and the latter authors obtain the data on the July 2002 edition of the *Company Analysis* database (a Thompson Financial product). We obtain the number of firms listed in each year directly from EP, for the French market, and from LSE, for the UK market and the information of dividend payers in *Datastream* database. Osobov and our study consider only the non-financial firms. In 2001, the last common year for the three studies, the percentage of dividend payers for the French market was 59.3%, 62.9% and 61.7% and for the UK market was 53.0%, 60.4% and 53.1%, respectively in the Ferris, Sen and Yui, Osobov and in our study.

Table 2 contains some summary statistics concerning the DPS. In Portugal, the average DPS has ranged from 1988 to 2002 between 0.15 (2002) and 0.64 Euros (2001) and the maximum value has ranged from 0.70 (2002) to 10.47 (2001). The last two years present very different values for the average DPS, being 2001 the year with the higher standard deviation (2.16). However, the year of 2001 is highly influenced by a unique dividend of 10.47 euros. If we ignore this dividend, we will have an average of 0.19 (one of the lowest), a maximum value of 1.00 and a standard deviation of 0.24, which is more consistent with the recession period of 2001-2002, as it can be seen in Figure 3.2, as well as by the lowest values for the minimum DPS both in 2001 and 2002, of 0.01 euros.

The fact that the percentage of firms paying dividends has been relatively constant whereas the average dividend paid has decreased, namely in the 1995-2002 period, implies that companies which have been paying dividends have paid lower amounts, except a small number of bigger size firms.

In France, the DPS values are highly influenced by a unique firm with extreme dividends (in average, above 90 Euros), as we can see in Figure 2. Thus, we decide to ignore this firm for DPS analysis. According to Table 2, the average DPS (in Euros) has ranged from 1992 to 2002 between 1.34 (1996) and 1.91 (1993). The average DPS has been stable in the last five years, with an increase tendency, which is consistent with firms smoothing their dividends. The minimum DPS is also stable. The higher movements are observed in the maximum dividends that ranged from 1992 to 2002 between 10.98 (1996) and 52.85 (1993 and 1994).

In the UK market, the average DPS values (in £) have increased continuously from 6.33, in 1994 to 9.83, in 2002. The tendency of a continuous increase in the average DPS could be interpreted as an indication of firms smoothing their dividends. The high values for the standard deviation can be explained by the significant different between the minimum and maximum values of DPS.

The UK firms pay higher dividends than the Portuguese and French markets, probably because it is one of the most important European capital markets.

Industry trends from the length period can be seen in Table 3. Panel A shows the average DPS and Panel B the percentage of dividend payers, both by industry breakdown.

Portugal shows evidence of an unstable market, as we can see in Panel A, with some activity sectors that simply omitted the dividend payments along the period. There are two main reasons for that to happen: some of the firms have been delisted during the analysed period and others have been closed, namely because they went bankrupt, such as in the agriculture and textile sectors. From the sectors with regular dividend payments in 1988-2002, firms in the telecommunication, machines and electrical equipment and metallurgy sectors have paid more dividends whereas construction and restaurants, hotels and leisure have paid the lowest levels.

In Panel B we can see some instability in the percentage of dividend payers along the period 1988-2002. It can be due to two different kinds of reasons: first, it can be caused by a relative frequency that some firms are listed and delisted in the EL from one year to the other and the fact that some sectors have a small number of firms, and, in some sectors, only one firm such as the case of electricity and tobacco sectors. Finally, it must be a signal that the Portuguese market does not have such a smoothing dividend policy like the US or the UK markets, but it has a more volatile dividend policy, such as the case of the German market [Goergen, Renneboog and Silva (2005)]. Chemicals and IT systems along with metallurgy sectors have the highest share of dividend payers along the period. However, among them, only the metallurgy sector pays the higher DPS, as we have seen in Panel A. In contrast, transport activities and wholesale trade have the lowest percentage of dividend payers. Chemicals, construction, mineral non metallic industries and other services sectors are the ones that have a greater stability in the dividend payers' percentage along the period, which, in global terms, coincides with the sectors that have more stability in the firms being listed between 1988 and 2002.

For the French market, and as we have done for the DPS analysis, we exclude a firm with extreme dividend payments; otherwise the results for its sector would be inconsistent. As we can see in Panel A, all the activity sectors paid dividends during the period 1992-2002, except for the tobacco sector, which have listed firms since 1995 (Panel B) and begun paying dividends in 2000 (Panel A). From the sectors with regular dividend payments in 1992-2002 period, firms in the food and beverages and real estate

sectors have paid more dividends whereas IT systems and machines and electrical equipment have paid the lowest levels.

In Panel B we can see that, globally, the percentage of dividend payers has grown continuously along the period 1992-2002. Automobile and construction sectors have the highest share of dividend payers along the period. In contrast, diversified industries and services have the lowest percentage of dividend payers. The paper sector presents a significant increase in the percentage of dividend payers, but this is mainly because of the significant decrease of the number of listed firms in this sector of activity.

In the UK market, all the activity sectors paid dividends during the period 1994-2002, except for the metallurgy sector, which has begun paying dividends in 1999. From the sectors with regular dividend payments in 1994-2002 period, firms in the agriculture and tobacco sectors have paid higher average DPS whereas telecoms and IT systems have paid the lowest levels.

In Panel B we can see that the percentage of dividend payers has grown in some activity sectors, but it has declined in others. Construction, electricity, mineral non metallic products and paper sectors have the highest increase in their percentage of dividend payers. In contrast, agriculture, telecoms, IT and diversified services have the more important decrease in the percentage of dividend payers.

In sum, these results show some evidence of industry and countries effects in dividend payments.

4. CONCLUSIONS

The evidence found in several studies of the decline of firms paying dividends in different markets, such as in the studies of Fama and French (2001), Baker and Wurgler (2002), Ferris, Sen and Yui (2004) and Osobov (2004), are consistent with our findings for Portugal, and, partially for the UK, but in contrast with France results. In fact, we find that firms become less likely to pay dividends in the Portuguese and, for the recent years, in the UK market, but not in the French market, where The percentage of dividend payers increased from 24.40% to 65.18% in the 1992-2002 period.

Moreover, the results suggest that European markets have a higher percentage of dividend payers than other markets, independently of the evolution. In the year of 1999, the percentage of firms paying dividends in the US market was 20.8% [Fama and French (2001)], in India was 32.1%, including financial firms [Reddy and Rath (2005)], and we find a percentage of 67.86% for Portugal, 53.14% for France and 53.17% for the UK market. The UK firms pay higher dividends than the Portuguese and French markets, probably because it is one of the most important European capital markets.

Forwards, we find evidence suggesting that the Portuguese market does not have such a smoothing dividend policy like the US or the UK markets, but it has a more volatile dividend policy, such as the case of the German market [Goergen, Renneboog and Silva (2005)].

Finally, we find some evidence of industry and countries effects in dividend payments.

In terms of suggestions for future research in this field, we wish to consider particular aspects that can improve the empirical results, as well as go further in this domain. Firstly, we wish to enlarge our sample period, considering the same sample period for the three markets. Secondly, we would like to split the sample in different sub periods, in order to detect some different phenomenon in the market that can influence the results. Finally, we would like to analyse which are the firms' characteristics that can distinguish the dividend payers from the non-payers, namely the profitability, assets growth, firm's size, market to book ratio and the financial distress. The firms that pay dividends tend to be the ones of larger size, higher profitability, but the ones having fewer growth opportunities.

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Table 1 - Trends in dividend payments

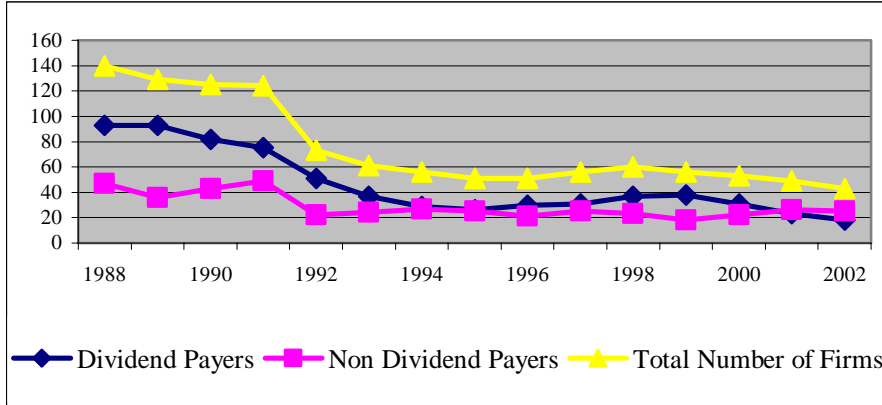
This table reports the number of non-financial firms listed on EL in the period 1988-2002, on EP in the period 1992-2002 and on LSE in the period 1994-2002, as well as the number of firms in two different dividend groups: dividend payers (firms that pay dividends in year t) and dividend non-payers. The firm must be listed on December of year t to be in the sample for that year.

Trends in Dividend Payments					
Year	Payers		Non-Payers		Total N° of Firms
	N°	%	N°	%	
Portugal: Period 1988-2002					
1988	93	66.43	47	33.57	140
1989	93	72.09	36	27.91	129
1990	82	65.60	43	34.40	125
1991	75	60.48	49	39.52	124
1992	51	69.86	22	30.14	73
1993	37	60.66	24	39.34	61
1994	29	51.79	27	48.21	56
1995	26	50.98	25	49.02	51
1996	30	58.82	21	41.18	51
1997	31	55.36	25	44.64	56
1998	37	61.67	23	38.33	60
1999	38	67.86	18	32.14	56
2000	31	58.49	22	41.51	53
2001	23	46.94	26	53.06	49
2002	18	41.86	25	58.14	43
France: Period 1992-2002					
1992	101	24.40	313	75.60	414
1993	111	29.13	270	70.87	381
1994	109	29.54	260	70.46	369
1995	120	33.15	242	66.85	362
1996	120	36.59	208	63.41	328
1997	124	40.79	180	59.21	304
1998	129	45.74	153	54.26	282
1999	144	53.14	127	46.86	271
2000	141	53.61	122	46.39	263
2001	150	61.73	93	38.27	243
2002	146	65.18	78	34.82	224
UK: Period 1994-2002					
1994	358	47.54	395	52.46	753
1995	398	47.95	432	52.05	830
1996	429	48.04	464	51.96	893
1997	456	48.72	480	51.28	936
1998	487	49.80	491	50.20	978
1999	511	53.17	450	46.83	961
2000	512	52.03	472	47.97	984
2001	507	53.09	448	46.91	955
2002	507	53.94	433	46.06	940

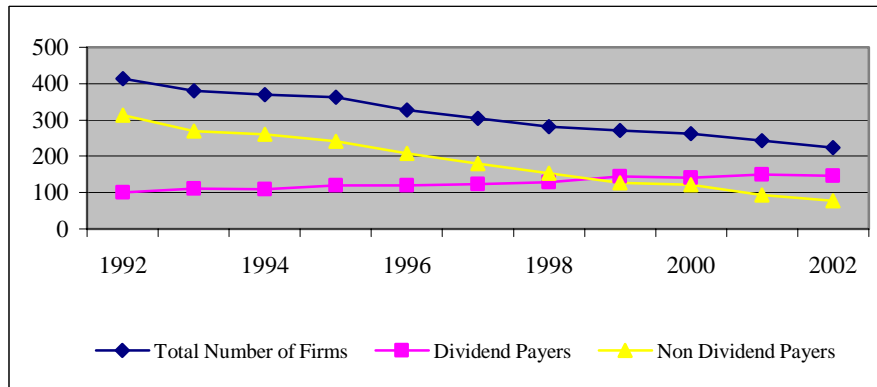
Figure 1 - Dividend payers and non-payers

This figure shows the total number of non-financial firms listed on EL, EP and LSE, as well as the number of payers (firms that pay dividends in year t) and dividend non-payers. The firm must be listed on December of year t to be in the sample for that year.

Portugal: 1988-2002



France: 1992-2002



UK: 1994-2002

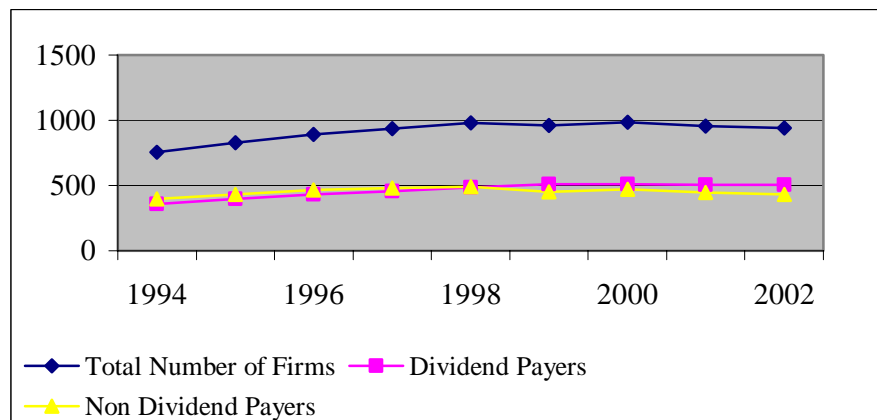


Table 2 – Summary statistics of dividend per share

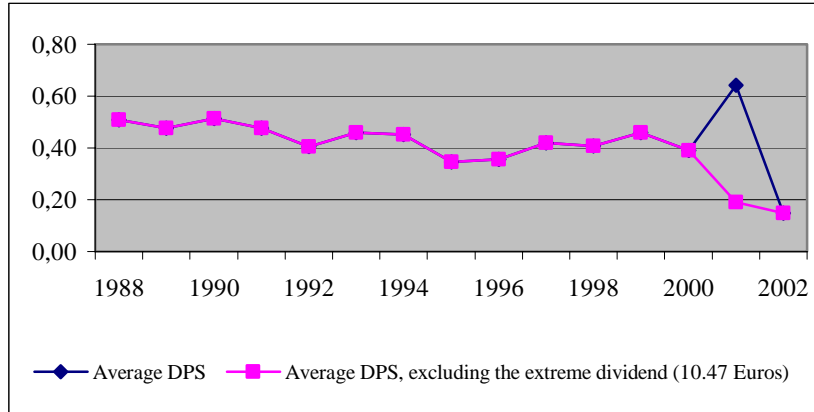
This table reports the dividend per share (DPS) of non-financial firms listed on EL in the period 1988-2002, on EP in the period 1992-2002 and on LSE in the period 1994-2002. The firm must be listed on December of year t to be in the sample for that year.

Summary statistics of DPS					
Year	Dividend Payers	Minimum DPS	Maximum DPS	Average DPS	Std. Deviation
Portugal: Period 1988-2002, €					
1988	93	0.02	1.55	0.51	0.34
1989	93	0.05	2.49	0.48	0.39
1990	82	0.02	2.37	0.51	0.42
1991	75	0.05	2.84	0.48	0.38
1992	51	0.03	1.50	0.41	0.30
1993	37	0.10	1.95	0.46	0.37
1994	29	0.10	1.50	0.45	0.37
1995	26	0.10	0.75	0.34	0.17
1996	30	0.12	0.87	0.36	0.18
1997	31	0.09	1.80	0.42	0.32
1998	37	0.10	1.50	0.41	0.29
1999	38	0.09	2.24	0.46	0.41
2000	31	0.09	1.00	0.39	0.27
2001	23	0.01	10.47	0.64	2.16
2002	18	0.01	0.70	0.15	0.17
France: Period 1992-2002, €					
1992	101	0.02	14.48	1.57	2.33
1993	111	0.02	52.85	1.91	5.16
1994	109	0.02	52.85	1.90	5.19
1995	120	0.02	14.48	1.43	2.13
1996	120	0.01	10.98	1.34	1.61
1997	124	0.02	25.15	1.57	2.64
1998	129	0.01	16.77	1.51	2.04
1999	144	0.01	19.82	1.61	2.28
2000	141	0.02	19.82	1.63	2.23
2001	150	0.01	19.82	1.74	2.29
2002	146	0.04	25.00	1.83	2.58
UK: Period 1994-2002, £					
1994	358	0.01	37.00	6.33	5.55
1995	398	0.10	38.00	6.46	5.87
1996	429	0.10	38.00	6.95	6.21
1997	456	0.01	76.11	7.49	7.30
1998	487	0.10	65.92	7.87	7.52
1999	511	0.06	70.97	8.30	8.11
2000	512	0.10	70.97	8.95	8.95
2001	507	0.05	78.00	9.31	9.35
2002	507	0.13	88.75	9.83	10.34

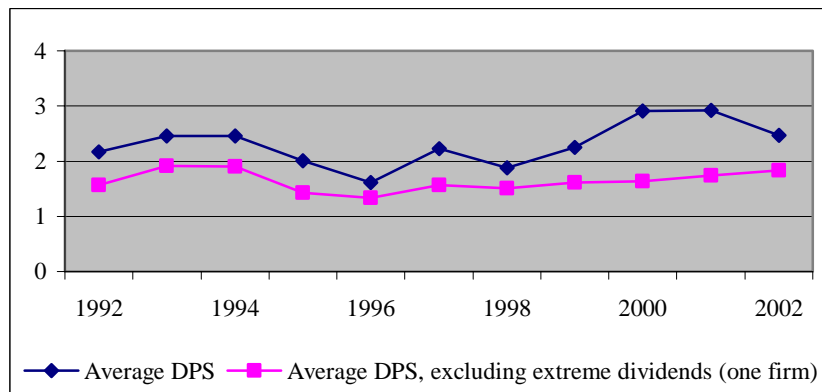
Figure 2 - Average dividend per share

This figure shows the average DPS of non-financial firms listed on EL, EP and LSE. The firm must be listed on December of year t to be in the sample for that year. We have also considered the average DPS excluding the sample extreme DPS value.

Portugal: 1988-2002, €



France: 1992-2002, €



UK: 1994-2002, £

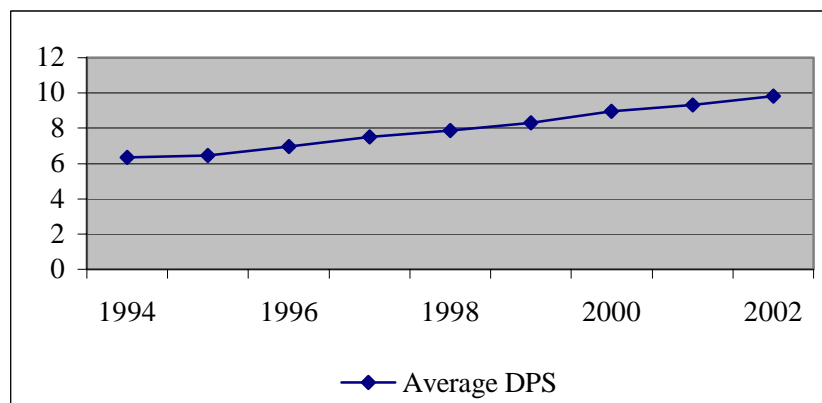


Table 3 – Dividend statistics by industry breakdown

This table reports the average DPS (Panel A) and the percentage of dividend payers (Panel B) by non-financial firms listed on EL, EP and LSE, classified by industry type. The firm must be listed on December of year t to be in the sample for that year.

Portugal															
Panel A: Average DPS During 1988-2002 - Industry Breakdown, €															
Industry	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Agriculture	0.33	0.34	0.42	0.35	0.15	-	-	-	-	-	-	-	-	-	-
Automobile	0.70	0.70	0.50	0.30	0.40	0.40	0.36	0.40	0.15	0.37	0.40	0.65	1.00	0.20	0.08
Chemicals	0.55	0.42	0.38	0.48	0.34	0.43	0.23	0.37	0.44	0.40	0.48	0.37	0.23	0.10	0.11
Communications	1.14	2.19	2.37	2.84	1.21	0.59	0.65	-	0.45	0.69	1.19	1.63	0.20	-	0.10
Construction	0.42	0.26	0.30	0.23	0.22	0.21	0.19	0.27	0.21	0.22	0.26	0.21	0.23	0.03	0.06
Diversified Retailers	0.29	0.24	0.27	0.37	0.19	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-	0.65	0.70	0.70	0.14	0.11
Food and Beverages	0.45	0.45	0.52	0.53	0.39	0.57	0.46	0.27	0.35	0.31	0.41	0.57	0.32	-	-
Informatic Systems	1.02	1.02	0.91	0.59	0.50	0.50	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	-
Machines and Electrical Equipment	0.53	0.61	1.05	0.73	0.96	1.06	1.15	0.40	0.42	0.36	0.30	0.35	-	-	-
Metallurgy	0.61	0.52	0.47	0.29	0.50	0.45	0.45	0.28	0.24	1.15	0.47	0.75	1.00	1.00	-
Mineral non Metallic Industries	0.56	0.43	0.43	0.47	0.36	0.37	0.28	0.33	0.38	0.54	0.45	0.42	0.38	0.68	0.70
Other Services Rendered to Firms	0.55	0.57	0.53	0.50	0.49	0.47	0.73	0.45	0.48	0.49	0.40	0.40	0.36	0.07	0.07
Paper	0.29	0.47	0.35	0.52	0.25	-	-	0.25	0.26	0.17	0.19	0.17	0.42	5.25	0.05
Real Estate	0.87	1.00	0.40	0.37	0.25	0.25	0.25	0.25	0.25	0.15	0.15	0.15	0.15	0.15	-
Restaurants. Hotels and Leisure	0.42	0.36	0.30	0.26	0.24	0.30	0.25	0.25	0.15	0.19	0.18	0.26	0.53	0.19	0.25
Textiles	0.59	0.41	0.41	0.52	0.24	-	-	-	-	-	-	-	-	-	-
Tobacco	1.00	-	1.00	-	1.00	1.10	0.50	0.40	0.50	-	-	-	-	-	-
Transport Activities	0.31	0.51	0.86	0.62	0.42	0.35	-	-	-	-	0.52	0.76	0.26	0.32	0.24
Wholesale Trade	0.39	0.33	0.30	0.46	0.25	-	-	-	-	-	-	0.40	0.40	-	-

Panel B: Percentage of Dividend Payers by Industry Breakdown															
Industry	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Agriculture	80.0	80.0	60.0	50.0	100.0	-	-	-	-	-	-	-	-	-	-
Automobile	33.3	33.3	33.3	50.0	50.0	100.0	100.0	100.0	100.0	100.0	50.0	50.0	50.0	50.0	100.0
Chemicals	66.7	100.0	85.7	62.5	83.3	100.0	100.0	100.0	66.7	100.0	100.0	100.0	66.7	66.7	66.7
Communications	100.0	100.0	100.0	100.0	100.0	100.0	100.0	0.0	50.0	50.0	50.0	33.3	33.3	0.0	33.3
Construction	93.3	90.0	91.8	90.9	88.9	100.0	71.4	33.3	60.0	60.0	71.4	57.1	50.0	60.0	60.0
Diversified Retailers	40.0	66.7	50.0	60.0	100.0	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	0.0	100.0	100.0	100.0	100.0	100.0
Food and Beverages	61.1	73.3	76.9	76.9	60.0	50.0	75.0	75.0	50.0	66.7	66.7	100.0	50.0	0.0	0.0
Informatic Systems	40.0	80.0	60.0	66.7	33.3	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	0.0
Machines and Electrical Equipment	80.0	60.0	66.7	100.0	100.0	100.0	100.0	50.0	50.0	100.0	100.0	50.0	0.0	0.0	0.0
Metallurgy	80.0	80.0	50.0	42.9	33.3	33.3	33.3	50.0	100.0	100.0	100.0	100.0	100.0	100.0	-
Mineral non Metallic Industries	77.8	71.4	71.4	71.4	100.0	60.0	50.0	66.7	83.3	66.7	80.0	80.0	80.0	33.3	33.3
Other Services Rendered to Firms	53.8	81.8	81.8	72.7	88.9	88.9	66.7	66.7	77.8	54.5	54.5	77.8	70.0	50.0	20.0
Paper	100.0	66.7	50.0	50.0	50.0	0.0	0.0	33.3	66.7	66.7	66.7	66.7	66.7	100.0	100.0
Real Estate	100.0	100.0	50.0	66.7	50.0	50.0	50.0	50.0	50.0	50.0	50.0	100.0	100.0	100.0	-
Restaurants. Hotels and Leisure	83.3	71.4	53.8	42.9	57.1	42.9	16.7	20.0	25.0	60.0	60.0	80.0	100.0	100.0	100.0
Textiles	80.0	70.0	80.0	55.6	33.3	0.0	0.0	-	-	-	-	-	-	-	-
Tobacco	100.0	0.0	100.0	0.0	100.0	100.0	100.0	100.0	100.0	0.0	-	-	-	-	-
Transport Activities	45.5	50.0	40.0	40.0	50.0	20.0	0.0	0.0	0.0	0.0	50.0	50.0	50.0	66.7	66.7
Wholesale Trade	60.0	80.0	40.0	33.3	50.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	50.0	0.0	0.0

(Continue)

Table 3 - Dividend statistics by industry breakdown (continued)

France											
Panel A: Average DPS During 1992-2002 - Industry Breakdown, €											
Industry	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Aerospace, Airlines and Airports	0.24	1.05	0.36	0.36	0.46	0.53	1.64	1.83	2.68	3.29	2.08
Agriculture	0.76	0.76	0.76	0.76	2.77	1.83	1.45	1.60	2.44	3.05	1.64
Automobile	0.41	0.45	0.46	0.41	0.57	0.58	0.61	0.73	0.86	1.28	1.02
Chemicals	2.40	2.42	2.63	2.30	2.12	2.07	2.33	2.02	2.18	2.23	2.70
Communications	0.33	0.37	0.39	0.39	0.35	0.41	0.62	0.66	0.79	1.14	0.52
Construction	2.13	2.32	2.08	2.03	1.88	2.00	1.96	1.97	2.45	2.43	2.20
Diversified Industry	0.99	0.76	0.76	0.76	0.76	1.52	1.83	2.00	2.50	1.62	1.93
Diversified Retailers	0.52	0.62	0.70	0.74	0.78	0.80	1.03	1.11	1.19	1.11	1.30
Diversified Services	1.04	1.28	1.07	1.52	0.79	0.92	1.26	1.37	1.53	5.50	3.50
Food and Beverages	1.63	1.75	1.71	1.80	1.33	3.06	2.86	3.23	3.11	3.32	4.38
Informatic Systems	0.60	0.41	0.47	0.63	0.54	0.66	0.62	0.47	0.62	0.52	0.61
Machines and Electrical Equipment	0.38	0.38	0.26	0.31	0.50	0.56	0.84	0.80	0.71	0.66	0.58
Media and Publicity	0.10	0.15	0.16	0.71	0.65	0.64	0.69	0.81	0.85	0.92	1.04
Metallurgy	0.69	0.69	0.69	1.14	1.19	1.19	0.90	0.86	0.86	0.86	1.49
Mineral non Metallic Products	0.95	0.97	0.97	1.00	0.92	1.16	1.05	1.07	1.25	1.65	1.36
Other Services Rendered to Firms	1.17	0.98	0.72	0.74	1.16	1.12	1.04	0.90	0.98	1.18	1.41
Paper	0.27	0.27	0.27	0.27	1.66	2.16	1.60	1.62	1.26	1.85	1.74
Real Estate	3.44	5.49	5.48	2.65	2.70	2.64	2.31	2.87	2.33	1.99	2.72
Restaurants, Hotels and Leisure	1.10	1.42	1.62	1.30	0.69	0.59	0.76	0.89	1.12	1.29	1.33
Textiles	0.77	0.70	0.76	0.81	0.72	1.31	1.32	1.43	1.44	1.47	1.59
Tobacco	-	-	-	-	-	-	-	-	0.48	0.55	0.55
Transport Activities	0.88	1.09	1.09	1.09	1.14	1.54	0.96	1.13	1.17	1.40	2.05
Wholesale Trade	0.44	0.48	0.47	0.49	0.57	0.62	0.71	0.78	0.85	0.93	0.91

Panel B: Percentage of Dividend Payers by Industry Breakdown											
Industry	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Aerospace, Airlines and Airports	50.0	60.0	50.0	50.0	50.0	50.0	50.0	33.3	50.0	66.7	100.0
Agriculture	14.3	14.3	16.7	20.0	16.7	50.0	50.0	50.0	33.3	25.0	66.7
Automobile	66.7	83.3	69.2	83.3	90.9	90.9	81.8	81.8	91.7	91.7	83.3
Chemicals	50.0	52.9	42.1	55.6	58.8	58.8	70.6	87.5	75.0	85.7	85.7
Communications	50.0	33.3	40.0	40.0	40.0	50.0	60.0	60.0	50.0	50.0	37.5
Construction	59.1	56.5	63.6	71.4	78.9	78.9	75.0	93.8	72.2	77.8	93.8
Diversified Industry	5.0	5.9	5.9	6.7	8.3	8.3	11.1	14.3	20.0	40.0	50.0
Diversified Retailers	15.4	19.0	23.5	25.0	27.8	31.3	33.3	45.5	55.6	85.7	85.7
Diversified Services	1.7	4.0	4.5	2.6	6.1	6.9	7.7	9.1	11.1	20.0	33.3
Food and Beverages	38.5	41.7	45.7	46.2	48.6	54.5	53.3	53.3	54.8	57.1	56.5
Informatic Systems	18.2	22.2	30.0	30.0	36.4	41.7	54.5	60.0	56.3	50.0	52.9
Machines and Electrical Equipment	13.6	17.6	16.7	16.7	18.8	18.8	21.4	25.0	33.3	45.5	63.6
Media and Publicity	23.1	30.8	33.3	35.7	50.0	66.7	60.0	66.7	54.5	62.5	62.5
Metallurgy	8.3	9.1	8.3	13.3	20.0	25.0	28.6	28.6	33.3	50.0	50.0
Mineral non Metallic Products	35.3	37.5	37.5	42.9	42.9	54.5	66.7	75.0	75.0	75.0	50.0
Other Services Rendered to Firms	37.5	50.0	40.0	44.4	55.6	62.5	83.3	85.7	75.0	54.5	54.5
Paper	12.5	12.5	14.3	16.7	40.0	50.0	66.7	66.7	66.7	100.0	100.0
Real Estate	34.5	36.5	39.6	42.2	48.7	47.5	58.8	63.6	64.5	75.0	75.0
Restaurants, Hotels and Leisure	36.4	55.0	42.9	52.4	55.0	52.6	57.1	61.9	57.1	70.0	78.9
Textiles	40.0	45.5	41.7	50.0	50.0	66.7	66.7	66.7	50.0	50.0	71.4
Tobacco	-	-	-	0.0	0.0	0.0	0.0	0.0	50.0	50.0	50.0
Transport Activities	11.8	12.5	13.3	13.3	14.3	23.1	41.7	55.6	50.0	71.4	71.4
Wholesale Trade	37.5	42.9	42.9	42.9	42.9	42.9	42.9	50.0	50.0	50.0	62.5

(Continue)

Table 3 - Dividend statistics by industry breakdown (continued)

UK									
Panel A: Average DPS During 1994-2002 - Industry Breakdown, £									
Industry	1994	1995	1996	1997	1998	1999	2000	2001	2002
Aerospace, Airlines and Airports	5.82	5.91	5.96	6.82	7.61	8.43	9.15	10.17	10.19
Agriculture	7.41	7.75	8.46	9.94	10.96	11.67	11.78	15.81	19.00
Automobile	9.95	9.66	10.50	8.99	8.93	9.46	9.88	10.90	10.07
Chemicals	9.31	9.83	9.18	10.02	10.09	9.93	10.97	12.03	12.60
Communications	4.12	3.26	3.95	4.18	3.91	4.16	4.29	4.28	3.35
Construction	5.32	5.68	6.04	6.63	6.87	7.22	7.85	8.15	8.69
Diversified Industry	5.00	4.93	5.72	6.48	7.08	6.37	7.00	9.33	9.00
Diversified Retailers	6.43	6.53	8.38	12.15	12.98	12.48	12.46	10.70	11.29
Diversified Services	6.22	6.47	7.43	7.95	8.27	8.59	9.17	8.98	9.10
Electricity	16.51	17.66	18.84	21.68	23.82	25.31	30.50	31.32	35.73
Food and Beverages	8.12	8.46	8.97	9.10	9.61	10.69	11.87	11.94	13.02
Informatic Systems	3.30	3.08	3.07	3.29	3.46	5.43	5.63	5.93	5.95
Machines and Electrical Equipment	4.17	4.04	4.36	4.73	4.95	5.34	6.17	6.75	7.10
Media and Publicity	6.47	7.07	7.33	7.26	7.31	7.11	7.35	7.13	7.18
Metallurgy	-	-	-	-	-	5.44	7.73	5.56	9.12
Mineral non Metallic Products	4.88	5.58	5.56	5.94	6.72	8.32	9.53	9.44	10.64
Other Services Rendered to Firms	6.16	6.22	6.26	6.48	6.46	6.74	7.32	8.08	8.17
Paper	3.94	4.61	5.04	5.62	6.18	6.33	6.78	7.16	7.26
Real Estate	6.48	6.50	6.83	7.24	7.67	8.71	10.09	10.51	11.99
Restaurants, Hotels and Leisure	4.67	4.71	5.32	5.64	5.75	6.40	6.55	7.28	7.45
Textiles	6.37	5.28	7.46	7.66	7.95	7.94	7.63	9.65	8.49
Tobacco	11.23	12.11	13.25	15.58	17.44	16.91	22.73	25.33	27.58
Transport Activities	7.01	7.26	7.44	7.78	8.76	7.84	9.33	10.52	12.25
Wholesale Trade	5.99	6.81	8.22	8.06	9.38	10.64	9.93	10.15	10.14
Panel B: Percentage of Dividend Payers by Industry Breakdown									
Industry	1994	1995	1996	1997	1998	1999	2000	2001	2002
Aerospace, Airlines and Airports	66.7	68.8	75.0	80.0	70.6	70.6	70.6	70.6	64.7
Agriculture	57.1	57.1	53.3	44.4	43.8	35.3	37.5	37.5	35.3
Automobile	55.6	42.3	40.7	44.4	41.4	50.0	54.5	52.4	52.4
Chemicals	30.5	32.4	35.1	33.8	33.7	35.8	35.4	36.5	37.0
Communications	54.5	66.7	61.5	61.5	57.1	40.0	33.3	34.5	29.6
Construction	56.8	57.0	58.0	57.8	60.2	65.8	69.7	79.7	79.7
Diversified Industry	22.2	37.5	42.9	50.0	33.3	44.4	50.0	50.0	50.0
Diversified Retailers	39.1	41.7	41.7	36.4	36.2	46.3	50.0	49.0	50.0
Diversified Services	58.5	57.1	52.6	56.8	56.5	58.1	52.7	51.6	51.0
Electricity	33.3	44.4	44.4	50.0	62.5	55.6	55.6	55.6	62.5
Food and Beverages	49.2	49.2	50.0	55.7	52.2	53.7	55.6	60.0	58.3
Informatic Systems	39.3	41.5	37.3	32.1	33.9	33.8	25.0	24.8	28.7
Machines and Electrical Equipment	46.3	48.3	49.2	53.1	59.0	67.3	63.6	64.2	65.4
Media and Publicity	44.4	38.1	39.6	41.2	42.9	50.9	52.7	57.4	56.6
Metallurgy	0.0	0.0	0.0	0.0	0.0	28.6	33.3	40.0	25.0
Mineral non Metallic Products	31.8	29.2	30.4	33.3	33.3	36.8	41.7	60.0	60.0
Other Services Rendered to Firms	64.7	63.6	66.1	66.2	68.1	73.6	73.5	70.4	67.6
Paper	33.3	33.3	33.3	33.3	33.3	50.0	100.0	100.0	100.0
Real Estate	49.0	48.3	46.0	45.5	45.8	49.3	50.7	54.1	60.3
Restaurants, Hotels and Leisure	44.4	48.8	53.3	48.1	55.8	54.5	54.5	53.8	51.9
Textiles	29.6	33.3	38.5	40.0	43.5	47.6	42.1	41.2	41.2
Tobacco	100.0	100.0	50.0	66.7	100.0	100.0	100.0	100.0	100.0
Transport Activities	42.9	42.3	46.4	43.8	48.6	59.4	65.5	65.5	67.9
Wholesale Trade	71.4	75.9	70.0	78.1	75.8	70.6	78.8	73.5	80.0