

Research on the Marginal Value and Cash Dividend Payment Behavior of Corporate Financial Flexibility under Property Rights Differences Based on Fixed Effects Model

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Keywords: Financial flexibility; Cash dividend payment; The nature of property rights; Fixed effect model; Marginal value

Abstract: Financial flexibility and cash dividend payment behavior are important issues in corporate financial decision-making, which directly affect corporate capital structure, financing strategy and shareholder return. The nature of property rights, as a key factor in the internal governance structure of enterprises, determines the financial decisions of enterprises to a large extent. There are significant differences between state-owned enterprises and private enterprises in ownership structure, governance mechanism and position in capital market, which lead to their different performance in financial flexibility and cash dividend payment. It is of great theoretical and practical significance to study the effect of property rights difference on financial flexibility and cash dividend payment. Further marginal effect analysis shows that the impact of property rights differences varies in different market environments. Under the background of higher capital market opening degree, private enterprises have greater financial flexibility and dividend payment adjustment space, while state-owned enterprises are subject to more policy and capital market constraints and have less adjustment space. This study provides a new perspective for the financial decision-making of enterprises, and suggests that the government should reduce the intervention of state-owned enterprises and promote their financial flexibility. Private enterprises should reasonably adjust the dividend payout ratio to balance the return of shareholders and sustainable development. Promoting the mixed ownership reform of soes will help improve their financial flexibility and dividend payment ability.

1. Introduction

With the integration of global economy and the continuous development of capital market, the financial decision of enterprises plays an increasingly important role in modern economic activities. Financial flexibility, as the core element of corporate financial decision-making, not only affects the financing strategy and capital structure optimization of enterprises, but also determines the ability of enterprises to cope with external shocks, investment opportunities and internal capital needs to a large extent. The core of financial flexibility lies in the ability of an enterprise to quickly obtain the

required funds when facing financial constraints or capital constraints, ensuring that it can maintain a healthy financial position and sustainable growth in a volatile market environment. As an important part of corporate financial policy, cash dividend payment is not only a way to return to shareholders, but also the embodiment of corporate financial status and governance structure. While ensuring the sustainable development of enterprises, it is the focus of academic circles and enterprise managers to determine the payment method of shareholder return reasonably.

As an important factor in corporate governance structure, the property right nature has increasingly attracted the attention of scholars on its influence on corporate financial decision-making. Chinese enterprises can be roughly divided into state-owned enterprises and private enterprises, these two types of enterprises in the property structure, governance mechanism, financing channels and capital market status and other aspects of significant differences. State-owned enterprises are usually subject to government policy intervention and face a more complex regulatory system, which leads to greater constraints on their financial flexibility and cash dividend payment choices. Because of the more flexible property structure and decision-making mechanism, private enterprises usually show high autonomy in capital operation and dividend payment. The difference of property rights is one of the key factors affecting the financial decision of enterprises, especially the financial flexibility and cash dividend payment behavior.

2. Related Research

Although many studies have explored the effects of financial flexibility, cash dividend payment and property rights on corporate financial decision-making, there are still few empirical studies on how differences in property rights affect corporate financial flexibility and cash dividend payment behavior. The existing literature mainly focuses on the influence of a single variable, and lacks in-depth analysis on the interaction of property rights differences in different types of enterprises. This study aims to fill in the research gap. Based on the fixed effect model, this study empirically explores how the property rights nature affects the financial flexibility and cash dividend payment behavior of enterprises, and further analyzes the impact of property rights nature on the marginal value of financial flexibility. The research results of YH Ki's team show that company age is one of the important determinants of cash holdings. With the growth of company age, managers will adjust cash holdings according to changing financial needs and risks^[1]. M Mohammadi's team proposed a method for ranking alternatives based on multiple criteria, which only considers the relative importance of each pair of criteria/alternatives and provides a ranking independent of the normalization of alternative performance, preventing the phenomenon of ranking inversion^[2]. With regard to the moderating effect of debt structure, moezdabboussi's research highlights the important role of long-term debt in the more prudent use of free cash flow^[3]. N Guo's team found that after the implementation of the policy, stock turnover, return volatility and turnover volatility all declined, especially for stocks with high dividend yield^[4].

3. Theoretical Foundation and Research Hypothesis Construction

3.1 Theoretical Basis of Financial Flexibility and Cash Dividend Payment Behavior

Financial flexibility and cash dividend payment are the two core contents of corporate financial decision-making, which play a crucial role in capital structure, financing strategy and shareholder return. Financial flexibility is generally viewed as an adaptation to corporate uncertainty, which helps businesses respond to rapid capital controls and changes in the market environment when they move quickly or change capital demand. Cash dividend is an important way to repay shareholders because it reflects not only corporate profitability but also its capital distribution strategy and

governance structure. The deep understanding of the theoretical foundations of these two aspects is very important for the study of the impact of intellectual property rights on the financial decision of the company.

One of the core characteristics of financial flexibility is financing flexibility, that is, the ability of enterprises to obtain funds quickly and cheaply in the capital markets. Financing flexibility is not only related to an enterprise's credit status, market position and capital structure, but also closely related to its internal liquidity. Financial flexibility is also reflected in the ability to manage funds, that is, enterprises can reasonably deploy capital resources, while maintaining sufficient capital reserves, but also effectively control costs, to avoid excessive debt or excess funds caused by the waste of resources.

The level of financial flexibility directly affects the investment decision and risk coping ability of enterprises. Companies with higher flexibility can quickly adjust their financing strategies when money is tight and avoid missing market opportunities or being unable to cope with economic crises due to capital constraints. In contrast, companies with less financial flexibility are at risk of not being able to cope with market movements or capital constraints due to financing difficulties or capital turnover.

Cash dividend payment refers to the behavior of returning profits or part of surplus to shareholders. It is an important part of corporate financial policy and reflects the importance of corporate returns to shareholders. The dividend payment behavior of enterprises is influenced by both external factors and internal factors. The external factors include the condition of capital market, the expectation of shareholders and the pressure of market competition. Internal factors are mainly related to profitability, cash flow and capital structure. When an enterprise has strong profitability and sufficient cash flow, it usually pays higher dividends. In the case of profit difficulties or capital needs, enterprises choose to reduce or stop dividend payments in order to maintain sufficient funds for reinvestment or debt repayment.

3.2 The Influence of Property Rights on Financial Decisions of Enterprises

Government intervention will limit the decision of state-owned enterprises in dividend payment, especially in the case of large capital investment needs, the government will often require state-owned enterprises to retain more funds to meet the future investment and social responsibility. State-owned enterprises usually show a more conservative dividend payment strategy to ensure their future capital accumulation and the ability to fulfill their social responsibilities.

The financial flexibility of state-owned enterprises is usually subject to policy-based capital constraints. The government requires state-owned enterprises to accumulate capital and reduce dividend payments within a certain period, especially in times of economic downturn or when strategic adjustments are needed. Such policy restrictions make soes less flexible in capital turnover and reinvestment, limiting their ability to obtain funds in the capital market.

State-owned enterprises have weak financing capacity in the capital market and usually rely more on bank loans, government funding support or policy financing in the capital market. Although this kind of financing can ease the financial pressure in the short term, it limits the financial flexibility of state-owned enterprises. Due to the high financing cost and narrow financing channels, state-owned enterprises often need to rely more on the accumulation of internal funds, which directly affects the decision of dividend payment. In order to ensure the stability of the future capital chain, state-owned enterprises are more inclined to reduce the proportion of dividend payment and avoid excessive distribution of cash dividends.

Soes typically have rigid governance structures and slow decision-making processes, with financial decisions often requiring approval from multiple departments. Although this structure can

ensure effective government supervision of enterprises to a certain extent, it also leads to inefficient decision-making. The relatively centralized and complex decision-making mechanism makes state-owned enterprises react more slowly in the face of external economic fluctuations or financing needs, and cannot quickly mobilize funds to cope with sudden capital needs. Private companies tend to have more flexibility in their financial decisions. The governance structure of private enterprises is more flexible, financing channels are more diversified, and financial decisions can respond quickly to market changes. As a result, private enterprises usually show different characteristics from state-owned enterprises in terms of financial flexibility and dividend payment behavior. Since private enterprises usually maximize shareholder value as their main goal, shareholder return plays an important role in their financial decisions. Private enterprises tend to find a balance between sustainable development and shareholder returns, both to protect the capital accumulation of the enterprise and to ensure that shareholders get a reasonable return. Private enterprises have strong financing ability, can adjust the capital structure through the capital market, and are more willing to pay higher dividends to improve the return on investment of shareholders. This feature makes private enterprises perform more actively in dividend payment, especially in the case of sufficient profits and relatively abundant funds, private enterprises usually tend to pay higher cash dividends.

The influence mechanism of property rights difference on financial decision-making of enterprises is reflected in two aspects: the difference of governance structure and the difference of financing channels. The governance structure of state-owned enterprises is more complex, limited by government policies, decision-making flexibility is low, financial flexibility and dividend payment behavior are often conservative; Private enterprises have a more flexible governance structure and decision-making mechanism, can respond to market changes more quickly, and show greater flexibility in dividend payment and financing decisions.

4. Analysis and Discussion of Empirical Results

Present and analyze the results of empirical research, explore the impact of property rights on financial flexibility and cash dividend payment behavior, and test and discuss the theoretical hypothesis combined with the results of regression analysis. Through the detailed interpretation of the regression results of the fixed effect model, this chapter will further analyze the moderating role of financial flexibility in enterprises with different property rights, and discuss the relevant conclusions, so as to verify the hypotheses of this study and provide policy suggestions for enterprises' financial decision-making. This paper selects 300 enterprises listed in China's A-share market between 2010 and 2020 as research objects, and the sample covers both state-owned enterprises and private enterprises. The descriptive statistical results show that the cash dividend payout ratio of the sample enterprises presents a large distribution difference. The cash dividend payout ratio of state-owned enterprises is generally low, while that of private enterprises is high, which reflects the significant difference between the two in financial decision-making. Financial flexibility indicators are also significantly different among different types of enterprises, and private enterprises usually have higher cash holdings and lower net debt ratio, showing stronger financial flexibility.

In order to explore the relationship between the variables, this study further calculated the correlation coefficient between the main variables. The analysis results show that there is a significant negative correlation between financial flexibility and cash dividend payment behavior, indicating that enterprises with strong financial flexibility will pay less dividends, especially in the case of relatively abundant capital reserves. The relationship between property right nature, financial flexibility and dividend payment also shows a certain law. The financial flexibility of state-owned enterprises is low, and the proportion of dividend payment is also small. The fixed

effect model is used to examine the relationship between property rights, financial flexibility and cash dividend payment behavior, and control variables are added to ensure the robustness of the results. Below is a presentation of the results of the main regression models. The results show that financial flexibility has a significant negative effect on cash dividend payment behavior. Specifically, there is a significant negative correlation between the increase of net debt ratio and the decrease of dividend payout ratio. When the financial flexibility of the enterprise is low, or its capital structure is tight, the enterprise tends to reduce the dividend payment in order to protect the fund reserve of the enterprise.

Regression analysis further shows that property rights play a significant moderating role between financial flexibility and dividend payment behavior. The negative relationship between financial flexibility and dividend payment behavior is more significant, indicating that state-owned enterprises will pay dividends more conservatively when facing financial pressure. This phenomenon is due to the fact that SOEs are affected by government policies and must give priority to ensuring liquidity and capital accumulation, especially during periods of greater economic uncertainty.

The negative relationship between financial flexibility and dividend payment is weak, which indicates that private enterprises usually have strong independent decision-making ability and financing flexibility, and can maintain high financial flexibility without sacrificing shareholder returns. Private enterprises are more flexible in dividend payment and can adjust the dividend payment ratio in time according to the profit situation. There is a positive relationship between profitability, firm size and cash dividend payment behavior. Financial flexibility is an important factor affecting the dividend payment behavior of enterprises, and its negative relationship shows that enterprises are more inclined to reduce dividend payment under greater financial pressure. This result reflects that enterprises usually give priority to ensuring the liquidity and reinvestment ability of funds when facing financial stress, and non-high shareholder dividends. Enterprises with strong financial flexibility can better cope with economic fluctuations, reduce their dependence on external financing, and their dividend payment behavior also shows greater flexibility.

The empirical results of this study not only have important significance for theoretical research, but also have a certain guiding role for enterprise practice. Enterprises should adjust their dividend payment strategies flexibly according to their property rights and financial conditions. State-owned enterprises should pay more attention to the policy and social responsibility requirements, while private enterprises can moderately increase the dividend payment ratio on the basis of ensuring the long-term development of enterprises to attract the attention of the capital market. When formulating policies related to enterprises, the government should also consider the impact of the nature of property rights on the financial decisions of enterprises. By optimizing the capital market environment and providing reasonable tax incentives, the government can encourage enterprises to improve their financial flexibility and achieve more reasonable dividend distribution. In this study, heteroscedasticity test, multicollinearity test and serial correlation test were performed. No obvious heteroscedasticity, collinearity or serial correlation were found in all test results, which further verified the reliability of regression analysis results. The sample division test was also carried out, and the group regression was conducted for state-owned enterprises and private enterprises respectively. The results were consistent with the overall sample analysis, which further supported the conclusion of this study.

5. Conclusion

Through empirical research, this paper discusses the influence of financial flexibility on cash dividend payment under the different property rights, and finds that there is a significant negative

correlation between financial flexibility and cash dividend payment, that is, enterprises with higher financial flexibility tend to reduce dividend payment. The nature of property rights plays an important moderating role in this relationship. State-owned enterprises usually have lower financial flexibility and dividend payout ratio, while private enterprises have higher financial flexibility and dividend payout level. The profitability and scale of enterprises also have an important impact on dividend payment behavior. Based on the research results, this paper puts forward several policy recommendations, including strengthening the guidance of financial decision-making of state-owned enterprises, encouraging private enterprises to enhance financial flexibility, optimizing capital market supervision, etc., in order to promote the healthy development of enterprises and the effective operation of capital market. In the future, the scope of research can be further expanded to consider the impact of macroeconomic environment and enrich the analytical framework of financial decision-making.

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