

Estimating Effects of Dividend Tax Policy Changes in China Part I:

How did dividend tax reforms affect stock market? *

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Abstract

This paper explores and compares the effects of two different dividend tax policy changes in China. By using difference-in-differences method on two samples, I find that lowering the dividend tax decreases the turnover rate and the number of trading volumes by over 15% and 8 million shares respectively. However, differentiated dividend tax has nearly contrary effects. The results also indicate that firms with a higher percentage of shares owned by top executives or government have experienced stronger effects in lowering turnover rate and trading volumes.

Key words: Dividend Tax Policy; Trading Volumes; Turnover Rate; Difference-in-Differences

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Section I. Introduction

The dividend tax has been a long-time research focus in the fields of economics, accounting, and taxation. Different countries/regions have diversified policies on dividend tax. For instance, Hong Kong has no dividend tax; Japan levies 20% on dividends from listed stocks. Different policies with progressive or single fixed tax rate system affect the actual tax burden on investors in a variety of ways. Taxes on investors affect their overall wealth and valuation of firms. Due to this reason, investors', firms', governments' and researchers' views and opinions are divergent after dividend tax reforms on whether the dividend tax should be maintained, lowered or even removed. For example, in 2003, the U.S.A. President George W. Bush proposed the elimination of the U.S. dividend tax, saying that “double taxation is bad for our economy and falls especially hard on retired people.¹” Following the speech of President Bush, *The Jobs and Growth Tax Relief Reconciliation Act (The Act)* was passed the United States Congress on May 23, 2003. *The Act* allowed qualified dividends to be taxed at the same rate as long-term capital gains, which is 15% at most. Though studies generally indicate that *The Act* increased dividend distribution and boosted firms' growth[Chetty and Saez(2005)], others believed dividend tax cut didn't have any effect on the real economy².

Dividends are taxed as regular personal income in China since Shanghai and Shenzhen Stock Exchange Market were established. After the tax reform in the late 1990s, all dividends for all investors (institution/individual) in the two stock exchange markets were subject to a 20% fixed tax rate. One major characteristic of China stock markets is a large number of individual investors. Comparing to 124,587 households that own stocks directly/indirectly in the

¹*POLITICS AND THE ECONOMY; Excerpts From Bush's Speech on His Proposal to Stimulate the Economy*, New York Times, January 3, 2003

²*This Isn't Proof That Dividend Tax Cuts Don't Aid The Economy*, Forbes, January 21, 2015

U.S.³, there are over 1200 million individual investors in China⁴. According to Tom Orlik, the chief economist for Bloomberg Economics, among these individual investors in China, nearly 67.6% do not have a high school diploma. Those individual investors, who have a disadvantage in information analyzing, financial knowledge background, would follow the signals (including dividends) generated by listed firms[Johan and Lang (1991)]. Unfortunately, the market might remain volatile if a large number of investors only focus on the changing signals and change their stock holdings rather than invest a stock/stocks for a long time. To increase financial market stability, provide incentive for listed firms to distribute dividends, and encourage long-term investment, on June 13, 2005, the Ministry of Finance and State Administration of Taxation of the People's Republic of China jointly issued a document (*Caishui 2005 No. 102*) to lower the dividend tax rate from 20% to 10% for all investors. The announcement was taken into effect immediately. Following this document, in 2012, another joint document (*Caishui 2012 No. 85*) was released, changing the single tax rate to differentiated rates system starting in 2013. Under the new document, for investors who hold a stock that distributes dividends, they have to face a 20%, 10%, and 5% tax rate if they hold the stock for less than one month, between one month and one year, and over one year, respectively.

The goal of this paper is to compare these two policy changes and examine whether they have achieved the aims of the government or not. These two events can be considered as quasi-experiments for the firms listed on the Chinese stock exchange markets since firms could not foresee these policy changes and had no self-selection issue. I chose the China Stock Market and Accounting Research (CSMAR) as the primary data source for this study. CSMAR is the primary financial research database on Chinese companies and related financial information.

³Board of Governors of the Federal Reserve System Survey of Consumer Finances (SCF), <https://www.federalreserve.gov/econres/scfindex.htm>

⁴Shenzhen Stock Exchange Annual Market Data, <http://www.szse.cn/market/>

Specifically, it provides detailed financial data and information on firms listed on the Shanghai and Shenzhen Stock Exchange Market starting from 1990. I conducted regressions for two different samples constructed around 2005 and 2013. The results indicate that though lowering the dividend tax rate could temporarily decrease the turnover rate and trading volumes and increase stability, in the long run, the effect is not significant enough. The 2005 policy change led to 15% drop in turnover rate and 8 million shares decrease in trading volumes. However, the 2012 change has nearly contrary results: effects on both trading volumes and turnover rate became positive.

Also, previous literature [Murphy (1999), Smith and Watts (1992)] point out that executives have incentives to increase dividends distribution if a certain part of their compensation is from dividend yields. Besides, in China, government-owned/government-controlled enterprises have strong, solid performance since China's transition to the market economy [Lin et al. (1998)]. These are two significant factors that can affect trading volumes, turnover rate, and return rate. Therefore, I further split the samples into subsamples based on the share percentage held by top executives and the government. The results from this paper show that firms that are more government-controlled or have more executives who own a high percentage of shares have lower trading volumes and turnover rates. Investors are more likely to invest in firms with government background, and executives would distribute more to avoid personal income tax. However, investors reacted in a contrary way for the second policy change, that trading volumes and turnover rate increased after the 2012 change for the treatment group. This paper contributes to the current literature in two aspects. First, it extends the literature on estimating China dividend tax reform on trading volumes and turnover rate. Previous studies [Yang and Liu (2005), Zeng and Zhang (2005), Zhang and Hu (2009)] mostly focus on the effects of policy changes on dividend distribution, stock prices, and investors' reaction. Second, this paper

provides an intuitive comparison between lowered dividend tax rate policy and differentiated tax rate policy, which sheds light on further policy making. To my best knowledge, this is the first paper to compare the effects of two dividend policies in China.

The paper is arranged as follows: Section II introduces the financial market and dividend tax background in China; Section III gives the related literature review; Section IV sets up the model; Section V describes the datasets and variables; Section VI presents the results; Section VII concludes and provides policy advice.

Section II. Background

2.1 China Stock Market and Dividend Distribution Patterns

The Chinese stock market is a relatively young financial market in the world. There are two stock exchange markets in Mainland China: Shanghai Stock Exchange and Shenzhen Stock Exchange⁵. They are both non-profit organizations directly administered by the China Securities Regulatory Commission. Since the last decade of the 20th century, China's stock markets have rocketed under the *Reform and Opening Up Policy*⁶. Within decades of development, Shanghai Stock Exchange Market and Shenzhen Stock Exchange Market have successfully tabbed into top exchange markets in size around the world. As shown in Table A1, as of September 2018,

⁵Hong Kong Stock Exchange based in Hong Kong Special Administrative Region of the People's Republic of China, which is one of the subsidiaries of Hong Kong Exchanges and Clearing. In this paper, I concentrate on Shanghai and Shenzhen Stock Exchange Market, which are affected by the policy changes from the Ministry of Finance of the People's Republic of China. Shanghai Stock Exchange Market was established on December 19, 1990, while Shenzhen Stock Exchange Market was open on July 3 in the following year.

⁶Refer to the Chinese economic reform, which was started in December 1978, and promoted the rapid economic development in China, especially for Shanghai and Shenzhen.

Shanghai and Shenzhen Stock Exchange ranked the fourth and eighth, respectively, in market capitalization (*World Federation of Exchanges Monthly Statistical Reports September, 2018*). The number of listed firms in the two stock markets increased from 10 to over 3,500 (*China Securities Regulatory Commission Yearly Report 2018*). Along with the prosperity of the financial markets, researchers have done extensive studies related to a variety of aspects on the markets. This paper tries to evaluate and compare policy changes in the dividend tax. Thus, in the following paragraphs, I discuss dividend distribution patterns in China.

In China, there are mainly three ways that a firm distributes dividends to its shareholders. The first is cash dividend, which is money paid to stockholders normally as part of the corporation's current earnings or accumulated profits. The second is bonus share, which is also called a stock dividend. A bonus share is a dividend payment made in the form of additional share, rather than a cash payout. Companies that decide to distribute this type of dividend to shareholders may experience short supply in liquid cash. The last is the gift dividend, which is distributed to shareholders using capital reserves in the firm. The biggest difference for this type of bonus share is the capital sources that are utilized in the process. Since gift dividends can be distributed regardless of the profitability of the firm, it can not be considered as the traditional dividend (but it will appear as dividend distribution in the distribution documents). In this paper, I mainly focus on cash dividend distributions.

2.2 Dividend Tax in China

A dividend tax is a tax imposed by a government/tax authority on dividends received by shareholders of a firm. Different countries/regions have diversified tax systems on stock market

according to their economic conditions and development requirements. For instance, the United Kingdom and Australia employ the imputation system in which some or all of the tax paid by a company may be attributed, or imputed, to the shareholders by way of a tax credit to reduce the income tax payable on a distribution [Richardson (2014)]. Another is dividend credit system, which allows shareholders to deduct dividends from income taxes in certain ratios. This is used by countries such as Japan and Denmark. Besides these two tax methods, some regions, such as Hong Kong, have no tax levied on dividends.

Individuals who have a domicile or place of abode in China are subject to individual income tax (*pwc Worldwide Tax Summaries*), which is levied by 11 categories⁷. Each category has its own tax rate(s), deductions, etc. According to *Individual Income Tax Law of the People's Republic of China* amended in 1999, an individual is subject to a 20% tax rate on interests, dividends received from bonds, and stocks. The dividends include cash dividend, stock dividend, and bonus share. However, capital gains from investment are exempt from personal income tax. Therefore, individual investors were taxed at 20% on dividends (including bonus and gift dividends) after the 1999 reform. Stock dividends are taxed as they appear on the document. For example, a standard announcement of dividend distribution from a firm states that it will distribute ¥1 cash dividend, along with 10 bonus shares per share, for its shareholders. If a person holds 100 shares, he/she will receive 100 in cash and 1000 bonus shares. When calculating the tax levied, bonus shares are counted as 1 per share. In this case, under the 20% tax rate, shareholders will be taxed $¥100 \times 20\% + ¥1000 \times 20\% = ¥220$. Thus, under this policy, the cash received by a shareholder might be negative (receiving ¥100 and paying ¥220 tax in

⁷The 11 categories of income are as follows: Employment income (i.e. wages and salaries); Income from the operation of sole proprietorship; Income from the operation of a business on a contract or lease basis; Payment for labor services; Author's remuneration; Royalties; Interest, dividends, and profit distribution; Rental income; Income from transfer of property; Incidental income; Other taxable income as determined by the Ministry of Finance of the State Council. Sources: Ministry of Finance of the People's Republic of China

this case). A real-world example is that in March 2018, Minsheng Bank (China) announced a payout with two bonus shares and ¥0.3 Chinese yuan per 10 shares. The tax per 10 shares for short-term investors is $(¥2+¥0.3)*20\% = ¥0.46$, which means that these investors have to pay an extra 0.16 yuan in cash per 10 shares to receive the dividend package. The distribution announcement from Minsheng Bank created turbulence in discussions on the effectiveness of dividend tax. Considering the large number of short-term individual investors in China, the dividend package decreases the return rate.

The dividend tax rate in China has been changed three times since 2005. Before June 2005, as discussed above, the government taxed all dividends as personal income at the rate of 20%. Following June 13, 2005, the tax rate was 10%, according to the Ministry of Finance and State Administration of Taxation Joint Document 2005 No.102 (2005#102). This document was enacted in the fourth quarter of 2005 (2005 Q3). However, in 2012 and 2015, two other documents (2012#85, 2015#101) further lowered the tax rate to zero for long-term stockholders (a stock held more than one year) and kept a high tax rate (20%) for short-term stockholders (a stock held less than one month). A summary of these tax changes is shown in Table 1. The goal of the differentiated tax rates for different types of investors is to encourage long-term investment and increase market stability.

Section III. Literature Review

Zhonglan et al. (2008) and Hanlon and Heitzman (2010) point out that the taxation of investors has an essential effect on investors' trading behaviors. As a result, a change of dividend tax may affect stock trading actions. Research has been done on how investors react to dividend

tax policy changes. Miller and Modigliani (1961) first promote the “clientele effect theory.” The theory states that in an imperfect market, investors faced with higher dividend tax rates prefer stocks with fewer dividends, and investors buy stocks with more dividends if they have lower dividend tax rates. Ayers et al. (2002) investigate the market reaction to the 1993 dividend tax increase in the U.S. They find that the dividend tax rate is negatively associated with stock returns. Firms with higher dividend payouts and fewer institutional investors have lower stock returns when faced with higher dividend tax rates. Dhaliwal et al. (2003) find that a firm’s dividend yield has a positive impact on the corresponding stock return that is decreasing in the percentage of institutional and corporate ownership. The effect does not correlate with dividend tax rates. In China, research focuses much more on stock price changes on an ex-dividend day.

Scholars in China focus more on stock prices changes around the ex-dividend day. Mao (2002) first explores the relationship between stock prices and tax rates in China. He believes that there is no “clientele effect” in the Chinese stock market. Yang and Liu (2005) note that empirical evidence suggests that the listed companies increased cash dividends after the introduction of reducing tax by half by the Ministry of Finance and the State Administration of Taxation. Zeng and Zhang (2005) find that cumulative abnormal returns are positively correlated with dividend payments. Zhang and Hu (2009) analyze the arbitrage on ex-dividend day using data on firms with cash dividends. They believe that arbitrage is correlated with different types of investors with different levels of dividend tax rates. Given the enormous literature on how dividend tax rates affect stock prices and returns, few papers examine how dividend tax rates affect trading volume and stock turnover rates. Zhang, Kathleen, and Brown (2008) researched the U.S. dividend tax cut in 2003. They found that tax cuts lower the excess trading volumes of firms with more dividend payouts. Chen, Chow, and Shiu (2013) found similar results in the 1989 tax reform in Taiwan. A study that is most related to this paper is the one

by Jia et al. (2016), which uses data from 2011 to 2014 to study the effects of *Caishui 2012 No. 85* on the stock turnover rate. They use a relatively short time range data (2011-2014) and find that the document did not achieve its goal effectively. However, firms with higher or more stable dividend distributions have lower turnover rate.

Section IV. Methodology

To evaluate market stability, I will use a difference-in-differences model to evaluate the Documents 2005 No.102 and 2012 No.85. I select these two policy shocks for two reasons. First, the 2005 one is the first time that the government lowered the dividend tax rate for both long-term and short-term investors, and the 2012 policy change differentiated the tax rates based on the holding period types of investors. It is worth to compare and evaluate these two policies. Second, for the 2015 policy change, I have relatively short-period data, and it is hard to separate the effects before it came out since it was just two years after the last one. Thus, in this paper, I construct two samples for the first two policy changes. The treatment groups consist of firms that initiated or increased cash dividends after each tax change. The control group nests all other listed firms. To measure effects on the stock market, I use three measurements: trading volumes, turnover rate, and return rate after dividend distributed. People prefer to hold stocks rather than repeatedly buy/sell when the dividend tax rate is low, which leads to a decrease in the turnover rate. Also, rationally speaking, people prefer to hold a stock if the return rate increases. I discuss the sample construction and variable design in detail in the next section. The time dummy variable for the 2005 policy change is generated as follows:

$$I_{policy} = \begin{cases} 1, 2005Q3 \leq time \leq 2009Q4; \\ 0, 2001Q1 \leq time < 2005Q3 \end{cases} \quad (1)$$

The dividend dummy is set as following:

$$I_{dividend} = \begin{cases} 1, Firms increased/initiated dividends after 2005 Q3; \\ 0, otherwise \end{cases} \quad (2)$$

The time dummy variable for the 2012 policy change are generated as follows:

$$I_{policy} = \begin{cases} 1, 2013Q1 \leq time \leq 2015Q3; \\ 0, 2010Q1 \leq time < 2013Q1 \end{cases} \quad (3)$$

The dividend dummy is set as following:

$$I_{dividend} = \begin{cases} 1, Firms increased/initiated dividends after 2013 Q1; \\ 0, otherwise \end{cases} \quad (4)$$

Therefore, after controlling other characteristics of the firms, the difference-in-differences regression model comes as:

$$y_{it} = \beta_0 + \beta_1 I_{policy_t} + \beta_2 I_{dividend_i} + \beta_3 I_{policy_t} \times I_{dividend_i} + X'_{it} \delta + \mu_i + \kappa_t + \epsilon_{it} \quad (5)$$

where y_{it} is the dependent variables or the outcome variables, namely trading volumes, turnover rate, and return rate after dividend distributed. I_{policy} and $I_{dividend}$ are the policy and dividend dummies, and the coefficient of the interaction (β_3) between the two is coefficient of interest.

Following Li et al. (2007), X_{it} controls for an additional set of covariates that capture the characteristics of firms, including marketcap, assets, debt, finlev, tobin, pe and pui. Marketcap is the market capitalization of a firm; assets and debt are the firm's total assets and debt; Finlev is the financial leverage and captures the risk level of a firm; PE is the price to earning ratio, which determines whether shares are correctly valued in relation to one another; Tobinq is the Tobin's q of a firm⁸. pui is the political uncertainty index from Baker et al. (2106) to control for the overall political atmosphere in China. μ_i and κ_t control for year and firm's fixed effects.

Section V. Data

5.1 Database Selection

There exist several databases that have detailed firm level data in China. Two of them have been adopted widely among researchers. One is the Chinese Industrial Enterprises Database (CIED) from National Bureau of Statistics of the People's Republic of China; the other is the China Stock Market and Accounting Research (CSMAR), which is jointly produced by GTA Information Technology Co. Ltd (a database company located in Shenzhen, Guangzhou), the University of Hong Kong and the China Accounting and Finance Research Center of the Hong Kong Polytechnic University. CIED compiles government data collected annually, which comes from a survey of over 300,000 China's large and medium-sized manufacturing enterprises (LMEs) including all government-owned manufacturing enterprises and those non-government-owned

⁸All accounting figures are calculated on consolidated financial statements in the accounting period; marketcap is calculated by multiplying a company's shares outstanding by the current market price of one share; Financial leverage is percentage of equity in total assets; Price to earning ratio is market value per share divided by earnings per share; Tobin's q is the ratio of the market value of a company's assets divided by the replacement cost of the company's assets.

manufacturing enterprises with an annual sales income over RMB 5 million yuan. The dataset contains all the main financial indicators such as assets, sales, profit, number of employees and salary. This is a comprehensive firm-level database. However, several researchers pointed out potential problems associated with this database. Nie, Jiang and Yang (2012) argue that except for its completeness, the database has obvious measurement error, some vague variable definitions, and sample matching errors. All of these potential issues will cost the researchers more time on cleaning data, and the potential issues may even lead to biased results.

CSMAR is the primary financial research tool on Chinese companies and related financial information. Specifically, it provides detailed financial data and information on firms listed on Shanghai and Shenzhen Stock Exchange Market starting 1990. Following the standard of Center for Research in Security Prices (CRSP) at University of Chicago and Compustat, the database provides professional, accurate, complete annual/ interim/ quarterly reports of A and B share ⁹ companies in general and financial industries. Unlike CIED, CSMAR concentrates more on listed firms. Since this paper targets to explore the effects of dividend tax policy changes, CSMAR will help improve the accuracy of results as of its advantages. I draw a whole sample from CSMAR dating from 2001 to 2015.

5.2 Sample Selection

This paper aims to compare a pair of policy changes, namely the 2005 and 2012 dividend tax changes, which lowered and differentiated the tax rates respectively. Therefore, two sam-

⁹A-shares are shares of mainland China-based companies and were historically only available for purchase by mainland citizens since foreign investment was restricted. B-Shares are eligible for foreign investment provided the investment account is in the proper currency (Shanghai B-shares trade in U.S. dollars, while Shenzhen B-shares trade in Hong Kong dollars).

ples are constructed from the original sample. On June 3, 2005, the Ministry of Finance (MOF) and the State Administration of Taxation (SAT) jointly issued Caishui [2005] No. 102, which came in effect immediately. The second policy shock was released on November 16, 2012, and enacted on the first day of 2013. Therefore, for the 2005 change, I use a sample dating from 2001 to 2009 to conduct the difference-in-differences study. Only firms with detailed data (including area code, register production type) that went public before 2001 and remain listed beyond 2009 are in the sample. Besides, to avoid extreme or unusual situation, the data is winsorized¹⁰ based on the value of trading volumes and turnover rate at 1% level (top and lower 1% numeric records are dropped) for comparison regressions. Similarly, I choose the fiscal year 2010 to 2015 as the time range for the second policy change, and the sample is also winsorized for comparison regressions. To explore the effects on firms with different share percentage held by the government and top executives, I further classify the sample by the ratio of shares held by government and top executives. Figure 1 shows how the samples are drawn and classified. The whole sample nests 13,446 observations with 5,510 locating in the first policy change and 7,936 for the second.

5.3 Variable Design

The goal of this paper is to quantify the effects of dividend tax reforms on the stocks' trading volumes, turnover rate and return rate by using a difference in differences method. The outcome variables are the three mentioned above. The trading volumes (vol) are calculated as quarterly average based on the monthly data for each stock. Following Jia et al. (2016), I calculate turnover rate (tr) based on daily stock turnover (tor) rate. The calculation equation is as

¹⁰Winsorization is the transformation of statistics by limiting extreme values in the statistical data to reduce the effect of possibly spurious outliers.

follows:

$$tr_{i,t} = \sum_{i,t}^N tor_{i,t} / N \quad (6)$$

Where tr is the average quarterly turnover rate, tor is the daily turnover rate, N is the number of trading days in a quarter. Return rate (rt) is the mean of quarterly return rate after dividend distribution for a stock. To control for the basic firms' characteristics, Market capitalization ($marketcap$), total assets ($assets$), debt ($debt$), financial leverage ($finlev$), price to earning ratio (pe) and tobin's q ($tobin$) are included in the controls. $Marketcap$ is the market capitalization, which is calculated by multiplying a company's shares outstanding by the current market price (quarterly average) of one share. Assets and debt nest firm's total assets and debt in a calendar year¹¹. Financial leverage ($Finlev$) is the degree to which a company is financed by fixed-income securities such as debt and preferred equity. The price to earnings ratio (PE) is the ratio that measures its current share price relative to its per-share earnings. The Tobin's Q Ratio ($Tobinq$) is calculated as the market value of a company divided by the replacement value of the firm's assets. To control for the political atmosphere, which might affect the financial market stability, I also include political uncertainty index (pui) from Baker et al. (2106)¹². To delve into the issue in depth, as mentioned in Section 5.2, I further split each of the samples into two sub-samples based on mean percentage of the shares held by the government ($perstate$) and top executives ($perex$). Table A2 provides a list of all variables used in this paper including descriptions. Table 2 reports the summary statistics of the key variables for the full sample. Tables 3 and 4 provides the summary statistics of the key variables for the samples covering each policy

¹¹According to Chinese accounting standards, the accounting period in China is set from January 1st to December 31st, which is same as the calendar year.

¹²To measure economic policy uncertainty for China, Baker et al. (2016) construct a scaled frequency count of articles about policy-related economic uncertainty in the South China Morning Post (SCMP), Hong Kong's leading English-language newspaper.

change. Table 5 presents covariance of the variables for the whole sample. Moreover, Tables 6 and 7 are the covariance for the two samples. From Tables 3 and 4, we can see sample from the 2012 policy change has relatively higher trading volumes, turnover rate and lower return rate. The government share percentage distributes a large range with a mean at 21% and 12% for each sample. Top executives have mean share percentage of 1% in the 2005 sample, while it increases to 9.7% in the second policy change sample.

5.4 Validity of the identification assumption

To establish a causal inference using difference-in-differences method, some assumptions must hold. First, the treatments, or the policy shocks in this paper, should be exogenous. In this paper, two policy changes occurred without firms' acknowledgement and there can be no self-selection situation for the firms to opt in initiating/increasing dividend distribution. Thus, these shocks provide quasi-experiments for the study. Second, the key identification assumption for Eq. (5) to provide a causal inference is that firms did not react to policy change provide valid counterfactual changes in trading volumes, turnover rate and return rate for firms reacted policy change (parallel path assumption). In this subsection, I examine parallel assumption in two ways. First, I plot changes trading volumes, turnover rate and return rate using raw data. Figure 2 depicts the average trading volumes, turnover rate, and return rate changed by year for each policy change. The figure provides graphical support that all of the three outcome variables' trend were similar before policy change. However, it may not be fully convincing that treatment and control groups would be similarly trended in the absence of the treatment (dividend tax reform). Thus, for the second method, I modify Eq. (5) by interacting the province dummy and respective year dummies for an event-study analysis.

$$y_{it} = \beta_0 + \beta_1 I_{dividend_i} \times 1^*(year = i) + X'_{it} \delta + \mu_i + \kappa_t + \epsilon_{it} \quad (7)$$

where all settings are similar with Eq. (5) except that 1^* is an indicator variable taking on the value of one if the year is i , which ranges from 2001-2009 and 2010-2015 for each sample. The results of coefficient β_1 are depicted in Figure 3. Comparing to the raw data plotting in Figure 1, similar patterns in the three outcome variables are indicated in this event-study analysis. Besides, coefficients beyond each policy shock is significantly (99% level) away from zero. Thus, the results from above prove that the parallel path assumption is satisfied.

Section VI. Results and Analysis

6.1 Main Results

Tables 8-11 provide results from baseline regressions. Specifically, Tables 8 and 9 are for the first policy change (Table 8 uses the full sample, and Table 9 uses the winsorized sample), and Tables 10 and 11 show results for the second (Table 10 uses the full sample, and Table 11 uses the winsorized sample). Across these tables, the first three columns are regressions with fewer controls and without the year or firm fixed effects; the last three columns are with full controls and year/firm fixed effects. From Table 8 and 9, we can see that, after the first policy change, the turnover rate for the stocks significantly dropped over 15% when using the winsorized sample. The trading volume also decreased by over 8 million shares. The results from turnover rate and trading volume indicate that lowering the dividend tax did increase the possibility of long-term investment and market stability. However, one should notice that the

return rate after dividends slightly decreased by 1.2% or so from 2001 to 2009.

In Tables 10 and 11, we can see nearly contrary results as compared with the first policy change. The results are similar to Jia et al. (2016). The trading volume increased to over 10 million shares, and the turnover rate increased by 9.4% in the winsorized sample. Results on the return rate are mixed across the full sample and winsorized sample. For the full sample, return rate decreased, but for the winsorized sample, the return rate was positive. This could probably be caused by the fact that the outliers in the full sample led the downward trend of investors' return. The second policy yielded a result in the opposite direction from the perspective of the government document. One possibility is that, following the first change, investors held the stocks because of a lower dividend tax and expected a higher return. However, the savings on dividend tax may not be more significant than buying/selling repeatedly. Thus, after the second change, investors would prefer to focus on yields from stock transitions; even the dividend tax rate had been lowered to zero for holding a stock for more a year.

6.2 Results by Share Percentage of Executives and State

To explore in detail the policy effects related to the characteristics of firms, I used two variables, the share percentage held by top executives and the government, to split the samples. Tables 12 and 13 report the results from the first policy change; tables 14 and 15 are for the second. All of them utilize the full sample for each policy change in the regressions. In Tables 12 and 14, the first three columns and the last three columns are from firms with executives who own higher and lower volumes of shares, respectively. In Tables 13 and 15, the first three columns and the last three columns are from firms more and less government-controlled, re-

spectively. The results are consistent with the baseline regressions. Also, we notice that during both policy changes, firms with a higher percentage of shares under executives' names have a bigger effect on lowering turnover rates and trading volumes. It is the same with firms that have more resources from the state. Some executives obtain their compensation through dividends. The lowered dividend tax rate provides an incentive to increase the dividend distribution to avoid income tax being levied from the regular salary. The results provide evidence from the previous literature on executives' compensation. Firms that are more state-controlled provide government endorsement to some degree for investors, and as a result, individual investors prefer to hold these stocks.

6.3 Robustness Check

In the subsection, robustness checks are conducted for the main results in several ways. First, I extend Eq.(5) by a control for the firm-specific linear time trend using the following specification:

$$y_{it} = \beta_0 + \beta_1 I_{policy_t} + \beta_2 I_{dividend_i} + \beta_3 I_{policy_t} \times I_{dividend_i} + X'_{it} \delta + \mu_i + \kappa_t + \gamma_i \times t + \epsilon_{it} \quad (8)$$

where all settings are similar with Eq.(5), except that γ_i is firm-specific trend, and the time trend variable, t . The specification controls for any effects through differential trends across firms. Such modified regression can help show that treatment effect is robust to treatment group-specific time trends. The unreported results shows consistence in the numbers, sign and significant level with the main results.

Besides Eq.(8), I add industry-specific time trend to control for any effects through differ-

ential trends across provinces and industries.

$$y_{ist} = \beta_0 + \beta_1 I_{policy_t} + \beta_2 I_{province_i} + \beta_3 I_{policy_t} \times I_{province_i} + X'_{it} \delta + \mu_i + \kappa_t + \gamma_i \times t + \eta_s \times t + \epsilon_{it} \quad (9)$$

where η_s is the industry-specific trend, and all other setting are same with Eq.(5). The specification controls for any effects through differential trends across industries. The results for the estimations from Eq.(9) are shown in Tables 16 and 17. The magnitude of the results for the coefficients on the interaction term is consistent with the baseline model. Using this specification, I run regressions for the classified samples based on the share percentage held by top executives and government, the results are reposted in Appendix Tables A3-A6. Also, the coefficients are similar to Tables 12-15.

Besides, to alleviate the concern of financial crisis in 2008, I shrink my sample for the first policy change from 2001-2009 to 2001-2007. The regressions using the 2005 policy change sample with baseline model are reported in the Appendix Tables A7-A10, where A7 and A8 are for the full and winsorized sample; and A9 and A10 are for classified samples by top executives and government share percentage. The results are consistent in figures and significance level with the 2001-2009 sample.

Section VII. Conclusion

The importance of dividend tax reform, especially the effects on firms' distribution behaviors, has attracted much attention in recent literature in China. This paper contributes to the literature by evaluating and comparing the effects of two dividend tax policy changes on market

stability in China. The two policy changes provide quasi-experiments to study the effects on the stock trading volumes, turnover rate and return rate after dividend distribution. This paper implements a difference-in-differences model for the 2001-2015 China Stock Market and Accounting Research database, which covers a longer time range than previous literature. To my knowledge, this paper first explores and compares the effects driven by the two similar policy changes, which contributes to these related studies on dividend tax reforms.

The findings indicate that the first policy change, dating back to 2005, did lower the turnover rate and the trading volume. However, after differentiating the dividend tax rate in 2013, we observe the opposite result: The turnover rate and trading volumes increased. Also, in the case of firms that are more government-controlled or with more executives who have larger percentages of shares, investors preferred to hold these stocks, even with a relatively lowered return rate after dividend. This, as analyzed in Section VI, may be due to investors' faith in firms with a government background and with executives who have more incentive to distribute more for a higher portion of untaxed compensation.

The results suggest that lowering dividend tax or differentiating the dividend tax rates can increase market stability and encourage long-term investment to some degree. In the long run, or using the tax instrument receptively may not yield the optimal policy expectations. The most significant characteristic of the Chinese stock market is a large number of individual investors. The most significant difference between individual and institution investors is the required financial knowledge background. Thus, other policy instruments, for example, exempt dividend tax for individual investors rather than institutions, should be considered.

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Figure 1: Sampling Tree

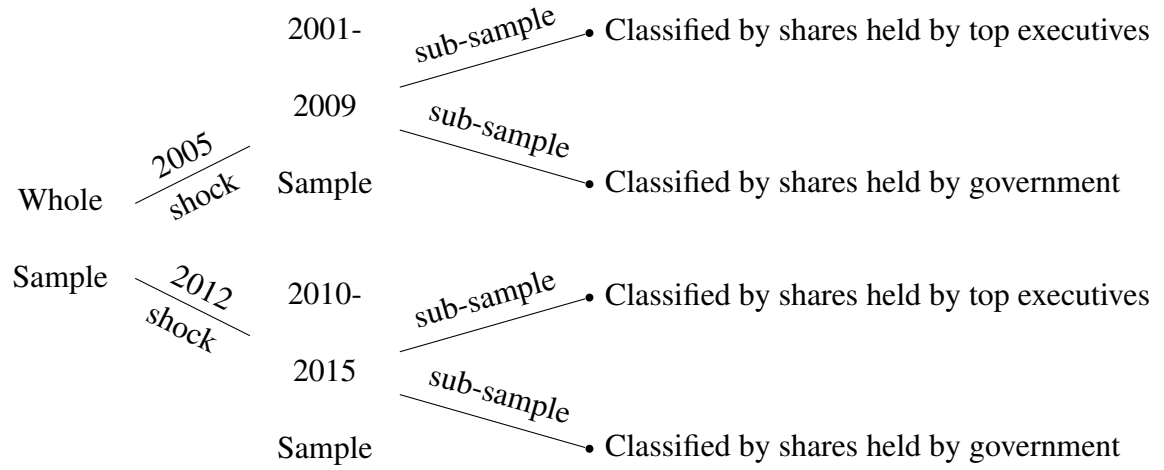
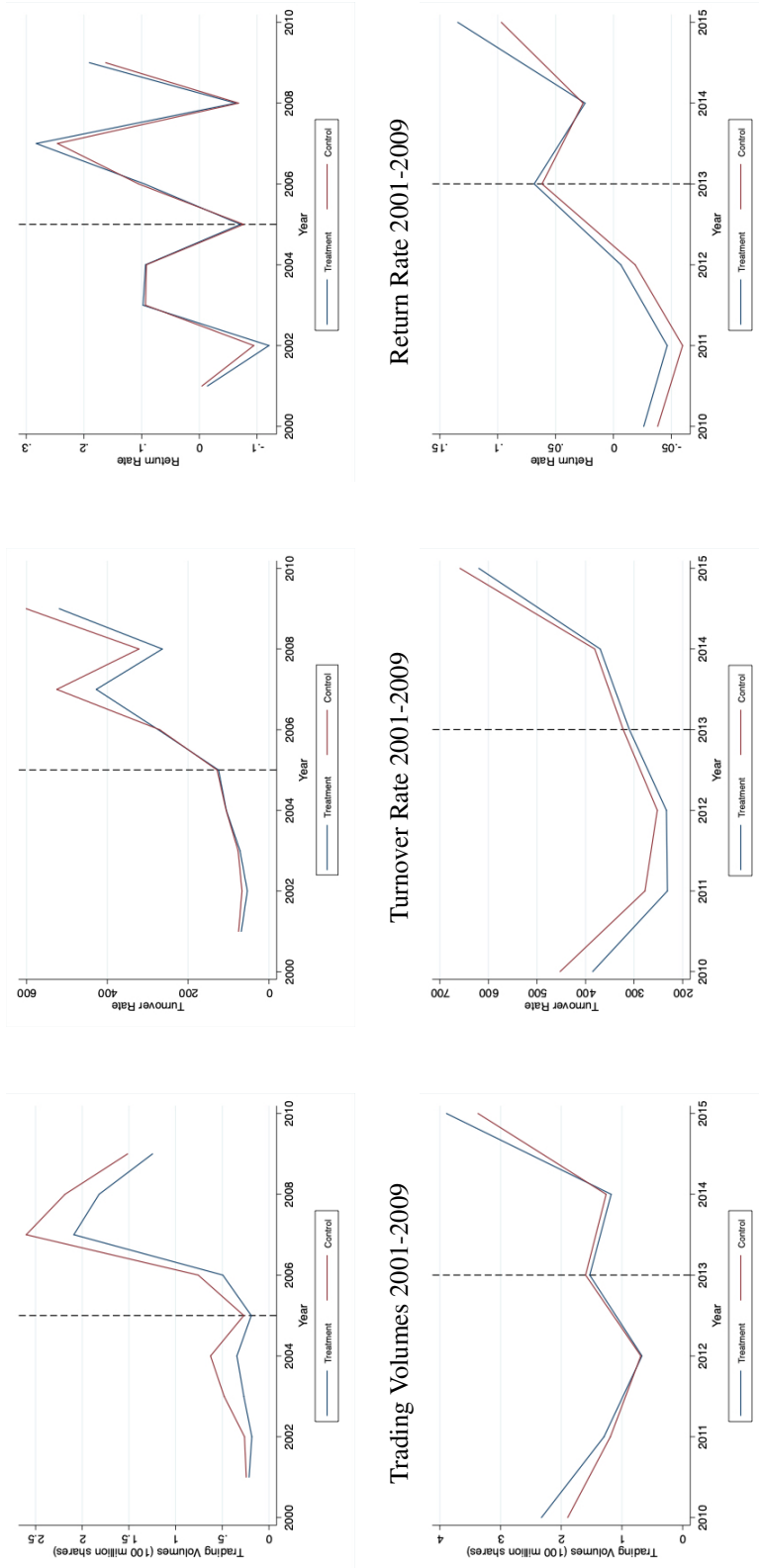


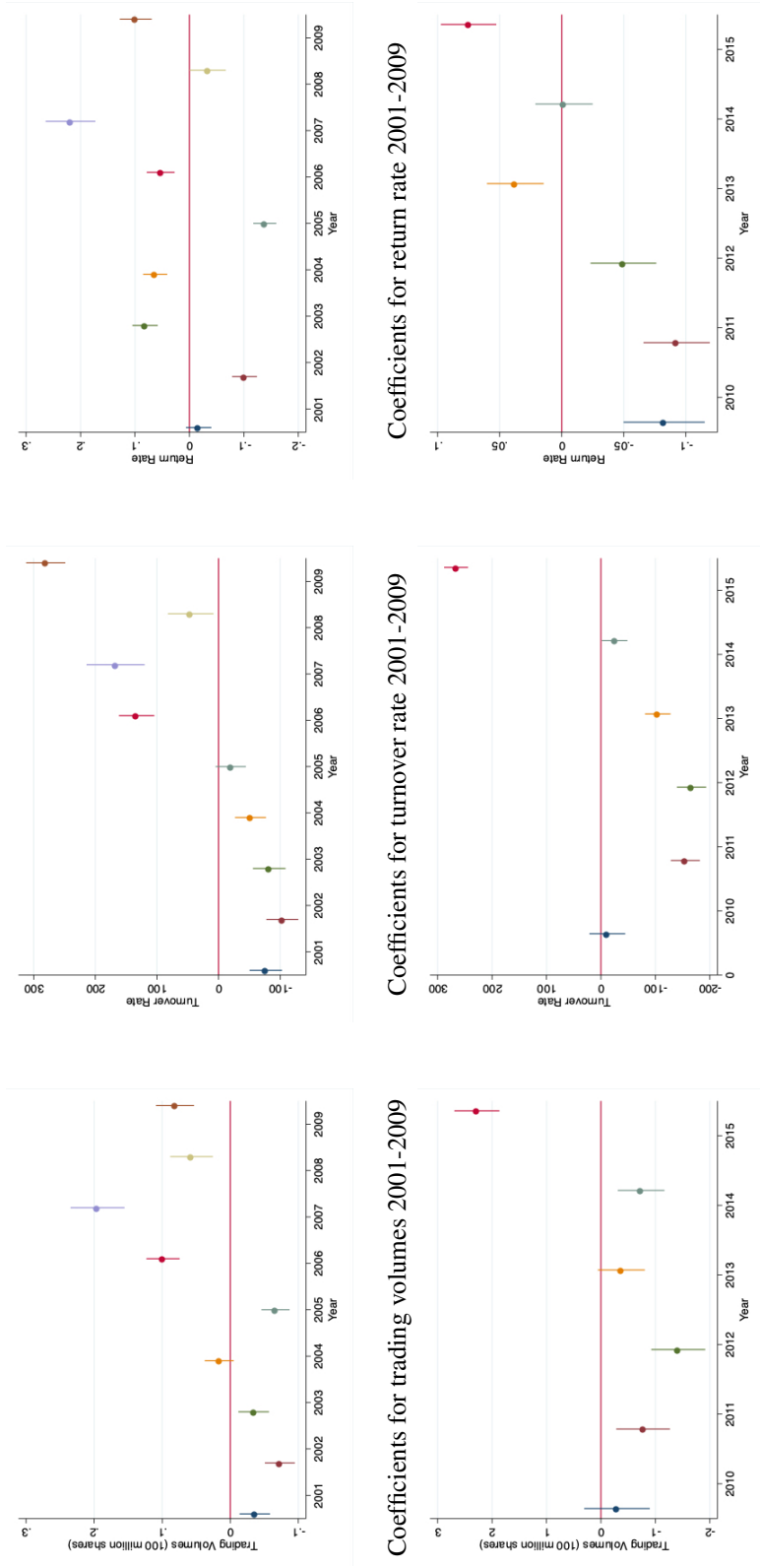
Figure 2: Model Validation 1



Trading Volumes 2010-2015 Turnover Rate 2010-2015 Return Rate 2010-2015

Note: This figure provide comparison of the three outcome variables between control and treatment group for two time period samples. Trading volumes are calculated as quarterly average based on the monthly data. Turnover rate is calculated from daily stock turnover ($tr_{i,t} = \sum_{i,t}^{N} tor_{i,t}/N$, where tr is quarterly turnover rate, tor is the daily turnover rate, N is the number of trading days in a quarter). Return rate is a stock mean quarterly return rate after dividend distribution.

Figure 3: Model Validation 2



Coefficients for trading volumes 2010-2015

Note: Coefficients are calculated based on: $y_{it} = \beta_0 + \beta_1 I_{dividend_t} \times 1^*(year = i) + X'_{it} \delta + \mu_i + \kappa_t + \epsilon_{it}$, where y includes trading volumes, turnover rate, return rate; $I_{dividend}$ equals 1 if a firm initiate/increase cash dividend distribution after each policy change; X_{it} nests all the controls, including market capitalization, assets, debt, financial leverage, tobin's q, price earning ration and political uncertainty index; μ_i and κ_t are year and firm's fixed effects respectively.

Coefficients for turnover rate 2010-2015

Coefficients for return rate 2010-2015

Coefficients for trading volumes 2001-2009

Coefficients for turnover rate 2001-2009

Coefficients for return rate 2001-2009

Table 1: Qualified dividend tax rates change with policies' variation in China

Stock-holding Time	Dividend Tax Rates		
	$\leq 1\text{mon}$	1mon to 1yr	$\geq 1\text{ yr}$
1999.09.01-2005.06.12	20%	20%	20%
2005.06.13-2012.12.31	10%	10%	10%
2013.01.01-2015.09.07	20%	10%	5%
2015.09.08-now	20%	10%	0%

Note: The tax rates in this table are calculated based on three government documents: Ministry of Finance and State Administration of Taxation Joint Document 2005 No.102, 2012 No.85, and 2015 No.101. Sources are from the websites of China Ministry of Finance and State Administration of Taxation.

Table 2: Full Sample Summary Statistics

Variable Name	Unit	Obs	Mean	S.E.	Min.	Max.
vol	100 Million shares	13,446	1.42	4.26	3.78×10^{-4}	131
tr	%	13,446	335.26	273.52	2.16	2303.28
return	%	13,188	0.042	0.25	-0.51	12.75
marketcap	100 Million Yuan	13,446	126	837	0.92	31500
assets	100 Million Yuan	13,446	116	765	0.096	20300
debt	100 Million Yuan	13,446	60.9	384	0	9060
finlev	%	13,446	0.48	1.94	-0.0012	98.96
tobinq	%	13,446	2.26	3.36	0.083	154.12
pe	%	13,391	2.08	12.06	-52702.09	35878.78
pui	N/A	13,446	137.81	50.25	64.96	244.40
perstate	%	12,868	0.16	0.16	0	0.76
perex	%	12,868	0.062	0.12	0	0.66

Note: This table provides summary statistics for key variables from 2001 to 2015. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobinq is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index; perstate is the share percentage held by government in a firm; perex is the share percentage held by top executives. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

Table 3: P1 Summary Statistics

Variable Name	Unit	Obs	Mean	S.E.	Min.	Max.
vol	100 Million shares	5,510	0.93	2.13	2.26×10^{-3}	41.8
tr	%	5,510	261.95	255.94	4.04	1692.16
return	%	5,421	0.061	0.23	-0.51	7.75
marketcap	100 Million Yuan	5,510	98.9	826	0.92	31500
assets	100 Million Yuan	5,510	72	463	0.18	12300
debt	100 Million Yuan	5,508	361	211	0	4300
finlev	%	5,508	0.56	2.62	-.0012	98.96
tobinq	%	5,510	1.95	1.83	0.19	54.59
pe	%	5,455	75.56	413.72	-8214.93	14115.09
pui	N/A	5,510	108.53	36.09	64.96	179.04
perstate	%	5,216	0.21	0.16	0	0.71
perex	%	5,216	0.01	0.037	0	0.43

Note: This table provides summary statistics for key variables from 2001 to 2009. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobinq is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index; perstate is the share percentage held by government in a firm; perex is the share percentage held by top executives. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

Table 4: P2 Summary Statistics

Variable Name	Unit	Obs	Mean	S.E.	Min.	Max.
vol	100 Million shares	7,936	1.76	5.23	3.78×10^{-4}	131
tr	%	7,936	386.15	273.8	2.16	2303.28
return	%	7,767	0.029	0.26	-0.37	12.75
marketcap	100 Million Yuan	7,936	126	837	0.92	31500
assets	100 Million Yuan	7,936	116	765	0.096	20300
debt	100 Million Yuan	7,936	60.9	384	0	9060
finlev	%	7,936	0.43	1.27	0.00054	66.78
tobinq	%	7,936	2.47	3.36	0.083	154.12
pe	%	7,936	92.86	1181.31	-52702.09	35878.78
pui	N/A	7,936	158.14	48.64	98.89	244.40
perstate	%	7,652	0.12	0.16	0	0.76
perex	%	7,652	0.097	0.14	0	0.66

Note: This table provides summary statistics for key variables from 2010 to 2015. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobinq is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index; perstate is the share percentage held by government in a firm; perex is the share percentage held by top executives. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

Table 5: Correlation

	vol	tr	return	marketcap	assets	debt	finlev	tobin	pe	pui
vol	1									
tr	0.126***	1								
return	0.0561***	0.159***	1							
marketcap	0.281***	-0.0849***	-0.0194*	1						
assets	0.305***	-0.108***	-0.0236**	0.865***	1					
debt	0.308***	-0.113***	-0.0245**	0.739***	0.964***	1				
finlev	0.00541	-0.0211*	0.0209*	-0.00247	0.00255	0.00769	1			
tobin	-0.0602***	0.0179*	0.0346***	-0.0204*	-0.0573***	-0.0675***	0.292***	1		
pe	-0.000693	-0.00287	0.0133	-0.00594	-0.00953	-0.0107	-0.00220	0.0292***	1	
pui	0.0526***	0.105***	-0.0871***	0.0331***	0.0347***	0.0390***	-0.0197*	0.0902***	0.00199	1

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Note: This table provides correlation for all variables from 2001 to 2015. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

Table 6: Correlation

	mnshtd	tovertly	mretwd	marketcap	assets	debt	finlev	tobin	pe	pui
mnshtd	1									
tovertly	0.209***	1								
mretwd	0.103***	0.290***	1							
marketcap	0.347***	-0.0664***	-0.0328*	1						
assets	0.459***	-0.0801***	-0.0304*	0.897***	1					
debt	0.527***	-0.0802***	-0.0309*	0.751***	0.952***	1				
finlev	-0.00748	-0.0111	0.00126	-0.00621	-0.00583	-0.000842	1			
tobin	-0.0686***	-0.0842***	0.00101	-0.000846	-0.0497***	-0.0678***	0.417***	1		
pe	-0.00457	0.0107	0.0122	-0.00746	-0.0118	-0.0126	-0.00698	0.0603***	1	
pui	0.141***	0.108***	-0.169***	0.0686***	0.0517***	0.0542***	0.00767	0.249***	0.0387**	1

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Note: This table provides correlation for all variables from 2001 to 2009. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>). Data is from China Stock Market and Accounting Research Database.

Table 7: Correlation

	mnshrtrd	tovertly	mretwd	marketcap	assets	debt	finlev	tobin	pe	pui
mnshrtrd	1									
tovertly	0.209***	1								
mretwd	0.103***	0.290***	1							
marketcap	0.347***	-0.0664***	-0.0328*	1						
assets	0.459***	-0.0801***	-0.0304*	0.897***	1					
debt	0.527***	-0.0802***	-0.0309*	0.751***	0.952***	1				
finlev	-0.00748	-0.0111	0.00126	-0.00621	-0.00583	-0.000842	1			
tobin	-0.0686***	-0.0842***	0.00101	-0.000846	-0.0497***	-0.0678***	0.417***	1		
pe	-0.00457	0.0107	0.0122	-0.00746	-0.0118	-0.0126	-0.00698	0.0603***	1	
pui	0.141***	0.108***	-0.169***	0.0686***	0.0517***	0.0542***	0.00767	0.249***	0.0387**	1

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Note: This table provides correlation for all variables from 2010 to 2015. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

Table 8: Main Results: 2005 policy change - full sample

	vol	tr	return	vol	tr	return
I_{policy}	84073322.227*** (21.99)	297.538*** (52.06)	0.069*** (9.91)	1.095e+08*** (16.29)	508.319*** (46.50)	0.260*** (7.57)
$I_{dividend}$	5566273.570 (1.55)	-2.664 (-0.97)	0.006 (1.19)	-6403238.412 (-1.54)	6.778 (1.44)	0.010 (1.80)
$I_{policy} \times I_{dividend}$	-4359103.307 (-0.47)	-34.709*** (-3.57)	-0.020* (-2.02)	-8735216.114* (1.22)	-17.140* (-2.43)	-0.012* (-1.54)
marketcap	0.001*** (3.38)	0.000 (0.18)	-0.000*** (-4.97)	0.002*** (8.49)	0.000* (2.01)	-0.000*** (-3.79)
assets	-0.006*** (-3.98)	-0.000 (-0.19)	0.000*** (4.66)	0.012*** (4.12)	-0.000 (-1.31)	-0.000 (-1.81)
debt	0.014*** (5.35)	-0.000* (-2.31)	-0.000*** (-5.08)	-0.020*** (-3.96)	-0.000 (-1.91)	0.000 (0.53)
finlev				2742060.656** (3.09)	6.056*** (3.92)	-0.012* (-2.49)
tobin				-5507784.004*** (-3.70)	-17.979*** (-7.84)	0.021* (2.34)
pe				4162.123 (1.76)	0.014** (3.17)	0.000 (1.07)
pui				924332.040*** (6.30)	-5.331*** (-29.18)	-0.005*** (-15.12)
cons	18994877.887*** (12.90)	83.834*** (52.77)	0.020*** (6.17)	-1.279e+08*** (-4.71)	943.265*** (19.21)	0.429*** (5.94)
Year f.e.	No	No	No	Yes	Yes	Yes
Firm f.e.	No	No	No	Yes	Yes	Yes
Obs.	5,508	5,508	5,419	5,453	5,453	5,411

Note: This table provides main results for the first policy change in 2005 using full sample. year is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; TobinQ is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Table 9: Main Results: 2005 policy change - winsorized sample

	vol	tr	return	vol	tr	return
I_{policy}	8407322.227*** (21.99)	294.507*** (53.28)	0.069*** (9.91)	1.095e+08*** (16.29)	497.012*** (49.73)	0.260*** (7.57)
$I_{dividend}$	5566273.570 (1.55)	-2.695 (-0.98)	0.006 (1.19)	-6403238.412 (-1.54)	5.816 (1.28)	0.010 (1.80)
$I_{policy} \times I_{dividend}$	-4359103.307 (-0.47)	-33.216*** (-3.51)	-0.020* (-2.02)	-8735216.114* (1.22)	-15.621* (-2.32)	-0.012* (-1.54)
marketcap	0.001*** (3.38)	0.000 (0.17)	-0.000*** (-4.97)	0.002*** (8.49)	0.000* (1.97)	-0.000*** (-3.79)
assets	-0.006*** (-3.98)	-0.000 (-0.16)	0.000*** (4.66)	0.012*** (4.12)	-0.000 (-1.41)	-0.000 (-1.81)
debt	0.014*** (5.35)	-0.000* (-2.35)	-0.000*** (-5.08)	-0.020*** (-3.96)	-0.000 (-1.80)	0.000 (0.53)
finlev				2742060.656** (3.09)	6.291*** (4.09)	-0.012* (-2.49)
tobin				-5507784.004*** (-3.70)	-18.270*** (-8.20)	0.021* (2.34)
pe				4162.123 (1.76)	0.013** (3.13)	0.000 (1.07)
pui				924332.040*** (6.30)	-5.210*** (-31.41)	-0.005*** (-15.12)
cons	18994877.887*** (12.90)	83.890*** (52.88)	0.020*** (6.17)	-1.279e+08*** (-4.71)	932.864*** (19.71)	0.429*** (5.94)
Year f.e.	No	No	No	Yes	Yes	Yes
Firm f.e.	No	No	No	Yes	Yes	Yes
Obs.	5,307	5,307	5,271	5,307	5,307	5,271

Note: This table provides main results for the first policy change in 2005 using full sample. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; TobinQ is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Table 10: Main Results: 2012 policy change - full sample

	vol	tr	return	vol	tr	return
I_{policy}	98813862.906*** (8.53)	144.897*** (19.55)	0.103*** (12.64)	-9.031e+07*** (-5.72)	-167.292*** (-18.95)	0.021* (2.57)
$I_{dividend}$	2.925e+07*** (-3.49)	40.421*** (-5.43)	-0.011* (-2.35)	1.738e+07* (-1.96)	-5.551 (-1.00)	-0.004 (-0.65)
$I_{policy} \times I_{dividend}$	23561486.310 (1.12)	17.845 (1.56)	-0.003 (-0.35)	11399757.001* (0.74)	7.614* (1.01)	0.002 (0.19)
marketcap	0.004**	0.000	0.000**	0.006***	-0.000***	0.000
assets	(2.68)	(0.60)	(3.05)	(4.08)	(-3.42)	(1.90)
	-0.006*	-0.000	-0.000**	0.023***	-0.000***	-0.000**
debt	(-2.44)	(-0.15)	(-3.10)	(4.39)	(-3.94)	(-2.94)
	0.010***	-0.000**	0.000**	-0.034***	0.000***	0.000***
finlev	(3.32)	(-2.79)	(2.79)	(-5.12)	(4.23)	(3.94)
				5526060.229***	-1.175	0.008*
tobin				(3.30)	(-0.61)	(2.21)
				-2315585.232*	0.872	0.003*
pe				(-2.11)	(1.71)	(2.57)
				-906.877	-0.008***	0.000
pui				(-0.51)	(-7.03)	(1.71)
				2854336.849***	4.880***	0.002***
cons	86975488.296*** (13.48)	320.410*** (65.88)	-0.026*** (-8.10)	-3.172e+08*** (-5.88)	-226.437*** (-4.98)	-0.223*** (-6.39)
Year f.e.	No	No	No	Yes	Yes	Yes
Firm f.e.	No	No	No	Yes	Yes	Yes
Obs.	7,936	7,936	7,936	7,936	7,936	7,936

Note: This table provides main results for the first policy change in 2012 using full sample. I_{policy} is the time dummy, which equals to 1 if after 2013; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2013. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Table 11: Main Results: 2012 policy change - winsorized sample

	vol	tr	return	vol	tr	return
I_{policy}	98813862.906*** (8.53)	140.617*** (19.77)	0.103*** (12.64)	-9.031e+07*** (-5.72)	-164.226*** (-19.19)	0.021* (2.57)
$I_{dividend}$	2.925e+07*** (-3.49)	40.106*** (-5.44)	-0.011* (-2.35)	1.738e+07* (-1.96)	-7.319* (-1.37)	-0.004 (-0.65)
$I_{policy} \times I_{dividend}$	23561486.310 (1.12)	18.962* (1.72)	-0.003 (-0.35)	11399757.001* (0.74)	9.379* (1.31)	0.002 (0.19)
marketcap	0.004**	0.000	0.000**	0.006***	-0.000***	0.000
assets	(2.68)	(0.51)	(3.05)	(4.08)	(-3.33)	(1.90)
	-0.006*	0.000	-0.000**	0.023***	-0.000***	-0.000**
debt	(-2.44)	(0.04)	(-3.10)	(4.39)	(-3.77)	(-2.94)
	0.010***	-0.000**	0.000**	-0.034***	0.000***	0.000***
finlev	(3.32)	(-2.98)	(2.79)	(-5.12)	(4.02)	(3.94)
				5526060.229***	-0.985	0.008*
tobin				(3.30)	(-0.51)	(2.21)
				-2315585.232*	0.647	0.003*
pe				(-2.11)	(1.31)	(2.57)
				-906.877	-0.008***	0.000
pui				(-0.51)	(-7.69)	(1.71)
				2854336.849***	4.684***	0.002***
cons	86975488.296*** (13.48)	319.931*** (66.58)	-0.026*** (-8.10)	-3.172e+08*** (-5.88)	-201.677*** (-4.63)	-0.223*** (-6.39)
Year f.e.	No	No	No	Yes	Yes	Yes
Firm f.e.	No	No	No	Yes	Yes	Yes
Obs.	7,763	7,763	7,651	7,763	7,763	7,651

Note: This table provides main results for the first policy change in 2012 using full sample. I_{policy} is the time dummy, which equals to 1 if after 2013; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2013. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Table 12: Main Results: 2005 policy change, classified by share percentage held by top executives

	vol	tr	return	vol	tr	return
I_{policy}	53445750.075* (2.04)	637.352*** (14.28)	0.247*** (6.03)	99391132.086*** (13.84)	488.964*** (41.91)	0.265*** (6.80)
$I_{dividend}$	7642509.365 (0.49)	27.457 (1.83)	0.011 (0.94)	-7183455.552 (-1.70)	5.707 (1.16)	0.009 (1.64)
$I_{policy} \times I_{dividend}$	-1.092e+07 (-0.60)	-36.870 (-1.92)	-0.016 (-1.12)	-8953961.844* (1.11)	-16.901* (-2.23)	-0.011* (-1.25)
marketcap	0.018* (2.15)	-0.000 (-0.26)	0.000 (1.54)	0.002*** (8.47)	0.000 (1.92)	-0.000*** (-3.37)
assets	0.049 (1.37)	-0.000*** (-3.68)	-0.000* (-2.26)	0.011*** (4.09)	-0.000 (-1.33)	-0.000 (-1.86)
debt	0.018 (0.35)	0.000*** (4.80)	0.000* (2.32)	-0.019*** (-3.92)	-0.000 (-1.87)	0.000 (0.55)
finlev	-7.122e+07 (-1.55)	-47.227 (-0.91)	-0.050 (-1.29)	2747673.618** (2.77)	5.384*** (3.35)	-0.014* (-2.44)
tobin	-1.215e+07* (-2.57)	-13.721* (-2.58)	-0.001 (-0.13)	-5298631.737** (-3.10)	-16.259*** (-6.39)	0.024* (2.31)
pe	-1941.810 (-0.20)	0.020 (1.74)	0.000** (3.09)	2978.473 (1.29)	0.012** (2.78)	0.000 (0.46)
pui	367212.767 (1.44)	-6.322*** (-17.00)	-0.004*** (-17.88)	1105630.169*** (6.36)	-5.078*** (-24.35)	-0.005*** (-13.13)
cons	42837015.342 (1.14)	1027.494*** (11.43)	0.449*** (4.58)	-1.273e+08*** (-5.17)	753.174*** (18.76)	0.666*** (9.70)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	878	878	878	4,583	4,583	4,583

Note: This table provides main results for the first policy change in 2005 classified by share percentage held by top executives. The first three columns are results from firms with top executives holding shares above average. The last three columns are below average. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobinq is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Table 13: Main Results: 2005 policy change, classified by share percentage held by government

	vol	tr	return	vol	tr	return
I_{policy}	92734248.099*** (7.63)	472.650*** (32.92)	0.210*** (17.63)	1.117e+08*** (16.10)	559.260*** (33.85)	0.305*** (4.92)
$I_{dividend}$	-3348512.590 (-0.64)	5.920 (1.08)	0.007 (1.32)	-1.334e+07* (-2.37)	3.508 (0.42)	0.016 (1.52)
$I_{policy} \times I_{dividend}$	-2727344.632 (0.24)	-21.215* (-2.46)	-0.005 (-0.59)	-16752477.656* (2.31)	-3.143* (-0.27)	-0.023 (-1.62)
marketcap	0.002*** (10.49)	-0.000** (-3.21)	-0.000*** (-5.92)	0.006*** (13.42)	0.000 (0.43)	-0.000*** (-3.77)
assets	0.018*** (5.79)	-0.000*** (-4.92)	-0.000*** (-4.20)	0.003 (1.12)	-0.000* (-1.99)	0.000 (0.68)
debt	-0.025*** (-4.56)	0.000 (0.47)	0.000 (1.79)	-0.018** (-3.07)	0.000 (1.19)	-0.000 (-0.53)
finlev	98608738.395 (1.91)	-3.640 (-0.19)	0.044 (1.82)	3050002.229*** (3.68)	6.582** (3.23)	-0.016* (-2.18)
tobin	-1100012.602 (-0.46)	-15.662*** (-4.74)	0.010** (2.61)	-6551435.785*** (-4.58)	-20.255*** (-6.20)	0.029* (2.10)
pe	2198.713 (0.94)	0.018*** (3.49)	0.000 (1.35)	8310.409 (1.28)	0.002 (0.17)	-0.000 (-0.29)
pui	1237599.859*** (4.74)	-4.632*** (-17.78)	-0.005*** (-23.69)	461879.865*** (4.20)	-5.941*** (-23.75)	-0.006*** (-9.40)
cons	-1.957e+08*** (-3.79)	647.356*** (16.51)	0.564*** (15.24)	-5.723e+07* (-2.32)	1027.927*** (17.47)	0.395*** (4.70)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	2,927	2,927	2,927	2,526	2,526	2,526

Note: This table provides main results for the first policy change in 2005 classified by share percentage held by government. The first three columns are results from firms with government holding shares above average. The last three columns are below average. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Table 14: Main Results: 2012 policy change, classified by share percentage held by top executives

	vol	tr	return	vol	tr	return
I_{policy}	-2982498.461 (-0.21)	-108.411*** (-5.15)	0.161*** (5.99)	-1.462e+08*** (-6.75)	-187.811*** (-18.53)	-0.012 (-1.34)
$I_{dividend}$	2184320.885 (0.39)	-4.062 (-0.38)	0.004 (0.25)	-2.916e+07* (-2.32)	-3.869 (-0.61)	-0.002 (-0.30)
$I_{policy} \times I_{dividend}$	1.141e+07 (-1.48)	1.769* (0.86)	-0.019 (-0.89)	29941756.882** (1.27)	2.668 (0.30)	0.003 (0.37)
marketcap	0.013*** (4.68)	0.000* (2.18)	0.000* (2.09)	0.006*** (4.02)	-0.000*** (-3.34)	0.000 (1.30)
assets	-0.066*** (-3.68)	-0.000*** (-4.97)	-0.000* (-1.99)	0.023*** (4.39)	-0.000** (-3.09)	-0.000* (-2.24)
debt	0.072*** (3.61)	0.000*** (4.27)	0.000 (1.88)	-0.034*** (-5.13)	0.000*** (3.46)	0.000*** (3.65)
finlev	1.015e+08* (2.34)	-82.762 (-1.33)	0.285 (1.57)	4583153.742** (2.93)	-2.163 (-1.13)	0.008* (2.34)
tobin	-1.616e+07*** (-4.43)	-18.941*** (-4.06)	-0.013 (-0.69)	-1338122.205 (-1.36)	1.651*** (3.33)	0.002 (1.85)
pe	-18081.771 (-1.40)	0.007 (0.21)	-0.000 (-0.28)	-570.894 (-0.26)	-0.008*** (-7.49)	0.000 (1.54)
pui	726185.963*** (5.16)	4.791*** (21.04)	0.000 (0.75)	4142673.271*** (10.22)	5.145*** (31.90)	0.002*** (12.38)
cons	73879675.909** (2.62)	-53.707 (-1.57)	0.115 (0.98)	-4.565e+08*** (-6.77)	-254.042*** (-5.37)	-0.225*** (-7.05)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	2,578	2,578	2,578	5,358	5,358	5,358

Note: This table provides main results for the first policy change in 2012 classified by share percentage held by top executives. The first three columns are results from firms with top executives holding shares above average. The last three columns are below average. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; TobinQ is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Table 15: Main Results: 2012 policy change, classified by share percentage held by government

	vol	tr	return	vol	tr	return
I_{policy}	-3.047e+08*** (-7.57)	-167.282*** (-11.94)	0.004 (0.41)	12740095.143 (1.33)	-167.848*** (-12.72)	0.121*** (4.54)
$I_{dividend}$	-4.631e+07* (-2.26)	-2.245 (-0.29)	-0.002 (-0.37)	4656660.672 (1.11)	-6.722 (-0.89)	0.001 (0.14)
$I_{policy} \times I_{dividend}$	67919190.867 (1.64)	6.928* (0.58)	0.004 (0.52)	1.555e+07** (-2.65)	10.282* (1.06)	-0.009 (-0.65)
marketcap	0.006*** (3.99)	-0.000*** (-3.30)	0.000 (1.05)	0.007*** (5.07)	-0.000*** (-3.41)	0.000** (3.21)
assets	0.023*** (4.39)	-0.000*** (-3.57)	-0.000 (-1.21)	-0.022* (-2.53)	-0.000** (-2.85)	-0.000** (-2.95)
debt	-0.033*** (-5.13)	0.000*** (4.00)	0.000** (2.76)	0.026* (2.42)	0.000* (2.40)	0.000** (2.82)
finlev	2.391e+08** (2.67)	31.529 (0.94)	-0.015 (-0.49)	-1458704.410 (-1.78)	-2.186 (-1.03)	0.003 (0.64)
tobin	-2.754e+07*** (-4.24)	9.347* (2.32)	0.025*** (3.32)	-636444.063 (-1.43)	0.567 (1.32)	0.001 (0.58)
pe	6330.896*** (3.96)	-0.008*** (-7.00)	-0.000 (-0.49)	-730.829 (-0.55)	-0.005** (-3.05)	0.000** (2.85)
pui	7503805.623*** (9.93)	5.434*** (23.41)	0.001*** (7.40)	790353.333*** (6.94)	4.769*** (30.05)	0.001*** (3.94)
cons	-5.317e+08*** (-3.62)	-224.266*** (-4.70)	-0.162*** (-3.80)	-1.016e+08*** (-3.69)	-178.330*** (-4.79)	-0.191*** (-4.09)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	3,059	3,059	3,059	4,877	4,877	4,877

Note: This table provides main results for policy change in 2012 classified by share percentage held by government. The first three columns are results from firms with government holding shares above average. The last three columns are below average. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Table 16: Robustness Check: 2005 policy change

	vol	tr	return	vol	tr	return
I_{policy}	1.234e+09 (1.83)	102.646 (0.28)	0.659*** (4.12)	1.234e+09 (1.83)	107.857 (0.29)	0.659*** (4.12)
$I_{dividend}$	-157951.465 (-0.06)	-2.863 (-0.95)	0.007 (1.13)	-157951.465 (-0.06)	-2.195 (-0.75)	0.007 (1.13)
$I_{policy} \times I_{dividend}$	-1731236.950 (0.34)	-15.782* (0.52)	-0.005 (-0.58)	-1731236.950* (0.34)	-14.991* (0.39)	-0.005 (-0.58)
marketcap	0.005*** (9.03)	0.000 (1.10)	-0.000*** (-5.16)	0.005*** (9.03)	0.000 (1.00)	-0.000*** (-5.16)
assets	0.003 (0.79)	-0.000*** (-3.69)	0.000 (0.32)	0.003 (0.79)	-0.000*** (-3.66)	0.000 (0.32)
debt	-0.012** (-2.60)	0.000* (2.24)	-0.000 (-0.14)	-0.012** (-2.60)	0.000* (2.25)	-0.000 (-0.14)
finlev	5590279.418*** (3.87)	1.490 (0.75)	-0.024*** (-3.98)	5590279.418*** (3.87)	1.714 (0.87)	-0.024*** (-3.98)
tobin	-9139104.817*** (-5.68)	-8.700*** (-3.81)	0.024*** (4.71)	-9139104.817*** (-5.68)	-8.956*** (-3.98)	0.024*** (4.71)
pe	1431.775 (0.72)	0.004 (0.89)	0.000** (2.93)	1431.775 (0.72)	0.003 (0.76)	0.000** (2.93)
pui	-2211872.964 (-1.33)	-4.477*** (-4.93)	-0.006*** (-13.14)	-2211872.964 (-1.33)	-4.374*** (-4.85)	-0.006*** (-13.14)
cons	5.727e+08 (1.88)	901.010*** (5.17)	0.388* (2.47)	5.727e+08 (1.88)	888.297*** (5.14)	0.388* (2.47)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	5,453	5,453	5,411	5,453	5,453	5,411

Note: This table provides robustness check for the first policy change in 2005. First three columns reports results based on Eq.(8), while Columns 4-6 reports results based on Eq.(9). I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; TobinQ is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Table 17: Robustness Check: 2012 policy change

	vol	tr	return	vol	tr	return
I_{policy}	-1.242e+09*** (-19.04)	-936.413*** (-38.10)	-0.427*** (-12.18)	-1.242e+09*** (-19.04)	-883.590*** (-38.29)	-0.427*** (-12.18)
$I_{dividend}$	10598935.692 (1.55)	-0.983 (-0.22)	-0.002 (-0.31)	10598935.692 (1.55)	-0.953 (-0.22)	-0.002 (-0.31)
$I_{policy} \times I_{dividend}$	2.110e+07 (-1.66)	0.270 (0.05)	0.004 (0.63)	2.110e+07 (-1.66)	0.467* (-0.08)	0.004 (0.63)
marketcap	0.009*** (4.98)	-0.000*** (-6.26)	0.000* (2.56)	0.009*** (4.98)	-0.000*** (-6.60)	0.000* (2.56)
assets	-0.000 (-0.09)	-0.000 (-0.22)	0.000* (2.35)	-0.000 (-0.09)	-0.000 (-0.16)	0.000* (2.35)
debt	-0.006 (-1.09)	0.000 (0.84)	-0.000 (-0.79)	-0.006 (-1.09)	0.000 (0.74)	-0.000 (-0.79)
finlev	1183668.546 (0.79)	-3.461 (-0.99)	0.011** (2.63)	1183668.546 (0.79)	-3.269 (-0.94)	0.011** (2.63)
tobin	-1779793.147 (-1.83)	0.967** (3.01)	0.001 (1.03)	-1779793.147 (-1.83)	0.851** (2.75)	0.001 (1.03)
pe	-916.714 (-0.71)	-0.005*** (-3.63)	-0.000 (-0.46)	-916.714 (-0.71)	-0.005*** (-3.85)	-0.000 (-0.46)
pui	-2995559.155*** (-20.36)	1.584*** (174.45)	-0.001*** (-5.56)	-2995559.155*** (-20.36)	1.584*** (106.83)	-0.001*** (-5.56)
cons	2.054e+08* (2.44)	150.953* (2.44)	-0.176** (-2.68)	2.054e+08* (2.44)	158.291** (2.71)	-0.176** (-2.68)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	7,936	7,936	7,936	7,936	7,936	7,936

Note: This table provides robustness check for policy change in 2012. First three columns reports results based on Eq.(8), while Columns 4-6 reports results based on Eq.(9). I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; TobinQ is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Appendix Table A1: Top 10 Stock Exchange Market with Market Capitalization

Rank	Stock Exchange Name	Country/Region	Location	Market Cap (USD Millions)
1	NYSE	U.S.A.	New York	24,223,206
2	Nasdaq	U.S.A.	New York	11,859,513.51
3	Japan Exchange Group Inc.	Japan	Tokyo	6,180,043.05
4	Shanghai Stock Exchange	P.R.China	Shanghai	4,386,030.56
5	Euronext	European Union	Amsterdam/Brussels/ Dublin/Lisbon/Paris	4,377,263.33
6	London Stock Exchange Group	United Kingdom/Italy	London/Milan	4,236,193.87
7	Hong Kong Exchanges and Clearing	Hong Kong	Hong Kong	4,111,111.69
8	Shenzhen Stock Exchange	P.R.China	Shenzhen	2,691,604.54
9	TMX Group	Canada	Toronto	2,288,165.37
10	Deutsche Börse AG	Germany	Frankfurt	2,108,114.45

Note: Data is from World Federation of Exchanges (<https://www.world-exchanges.org>) Monthly Report, September, 2018.

Appendix Table A2: List of Variables Used with Description

Variable Name	Variable Label
<i>Outcome Variables:</i> ¹	
vol	Trading Volumes
tr	Turnover Rate
return	Return Rate
<i>Dummy Variables:</i> ²	
I_{policy}	Time Dummy
$I_{dividend}$	Dividend Policy Dummy (Treatment)
<i>Control Variables:</i> ³	
marketcap	Market Capitalization
assets	Assets
debt	Debt
finlev	Financial Leverage
tobinq	Tobin's q
pe	Price earning ratio
pui	Political Uncertainty Index
<i>Classification Variables:</i> ⁴	
perstate	Government share percentage
perex	Top executives share percentage

Note: 1. The trading volumes (vol) are calculated as quarterly average based on the monthly data. Following Jia et al. (2016), I calculate turnover rate (tr) based on daily stock turnover (tor) rate. The calculation equation is as follows: $tr_{i,t} = \sum_{i,t}^N tor_{i,t} / N$, where tr is average quarterly turnover rate, tor is the daily turnover rate, N is the number of trading days in a quarter. Return rate (rt) is the mean of quarterly return rate after dividend distribution for a stock.

2. Dummy variables includes time (policy) dummy and dividend dummy. Time dummy equals one if it is after 2005 or 2013, and zero otherwise; dividend dummy equals one if a firm initiates or increases dividend distribution after each policy change, and zero other wise.

3. Marketcap is the market capitalization, which is calculated by multiplying a company's shares outstanding by the current market price (quarterly average) of one share. Assets and debt nest firm's total assets and debt in a calendar year. Financial leverage (Finlev) is the degree to which a company is financed by fixed-income securities such as debt and preferred equity. The price to earnings ratio (PE) is the ratio that measures its current share price relative to its per-share earnings. The Tobin's Q Ratio (Tobinq) is calculated as the market value of a company divided by the replacement value of the firm's assets. political uncertainty index (pui) is from Baker et al. (2106) (<http://www.policyuncertainty.com/>)

4. Mean percentage of the shares held by government (perstate) and top executives (perex).

Appendix Table A3: Robustness Check - 2005 policy change, classified by share percentage held by top executives

	vol	tr	return	vol	tr	return
I_{policy}	2.028e+08 (1.24)	-433.804 (-1.69)	-0.075 (-0.64)	1.224e+09 (1.85)	130.165 (0.36)	0.665*** (4.04)
$I_{dividend}$	-8567094.088 (-0.84)	2.933 (0.30)	0.008 (0.79)	388608.949 (0.15)	-3.756 (-1.20)	0.007 (1.09)
$I_{policy} \times I_{dividend}$	-6704931.287 (0.49)	-7.993* (-0.59)	-0.015 (-1.16)	-2617230.039 (0.47)	-5.227** (0.90)	-0.002 (-0.27)
marketcap	0.042*** (3.43)	0.000 (0.79)	0.000 (0.21)	0.005*** (8.94)	0.000 (0.89)	-0.000*** (-4.85)
assets	0.048 (1.13)	-0.000 (-0.28)	-0.000* (-2.51)	0.003 (0.84)	-0.000*** (-3.66)	0.000 (0.42)
debt	-0.126 (-1.88)	0.000** (2.65)	0.000 (0.70)	-0.012** (-2.62)	0.000* (2.25)	-0.000 (-0.25)
finlev	1.546e+08* (2.28)	-143.601* (-2.08)	0.025 (0.40)	5457817.372*** (3.62)	1.454 (0.71)	-0.025*** (-3.88)
tobin	-2.551e+07*** (-5.03)	-11.361 (-1.70)	0.013 (1.89)	-9053964.323*** (-5.13)	-8.243*** (-3.39)	0.025*** (4.41)
pe	9718.057 (1.94)	0.017 (1.86)	0.000*** (3.38)	318.991 (0.18)	0.000 (0.12)	0.000* (2.28)
pui	-81154.336 (-0.24)	-4.546*** (-6.73)	-0.003*** (-23.60)	-2206366.802 (-1.35)	-4.349*** (-4.86)	-0.006*** (-13.15)
cons	78709682.608 (1.25)	1105.276*** (7.48)	-0.010 (-0.05)	3.322e+08 (1.53)	650.116*** (5.43)	0.544*** (4.46)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	878	878	878	4,583	4,583	4,583

Note: This table provides main results for the first policy change in 2005 classified by share percentage held by top executives. The first three columns are results from firms with top executives holding shares above average. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Appendix Table A4: Robustness Check - 2005 policy change, classified by share percentage held by government

	vol	tr	return	vol	tr	return
I_{policy}	-4.819e+08 (-0.77)	622.715 (1.80)	0.833*** (3.51)	8791865.378 (0.24)	344.812*** (11.86)	0.420*** (4.15)
$I_{dividend}$	998481.362 (0.32)	-1.097 (-0.32)	0.006 (1.15)	-2266920.147 (-0.74)	-6.006 (-1.04)	0.011 (0.74)
$I_{policy} \times I_{dividend}$	-4827160.298 (-0.35)	-4.104* (-0.61)	-0.002 (-0.22)	-3778375.237 (1.11)	1.177 (1.34)	-0.010 (-0.63)
marketcap	0.004***	-0.000	-0.000*	0.006***	0.000**	-0.000***
assets	(4.33)	(-0.09)	(-2.48)	(18.01)	(2.75)	(-3.98)
	0.004	-0.000*	-0.000	0.007	-0.000***	0.000
debt	(1.27)	(-2.18)	(-0.62)	(1.29)	(-7.10)	(1.61)
	-0.006	0.000	0.000	-0.027***	0.000***	-0.000
	(-1.67)	(0.43)	(0.46)	(-3.87)	(7.12)	(-1.49)
finlev	-3.032e+07 (-1.17)	22.249 (0.92)	-0.009 (-0.28)	3849434.497** (3.18)	1.312 (0.48)	-0.027*** (-3.54)
tobin	-1.214e+07***	-9.983**	0.014**	-6321212.448***	-9.761**	0.029***
	(-4.41)	(-2.94)	(3.22)	(-4.06)	(-3.03)	(4.05)
pe	-3603.811 (-1.68)	0.006 (1.17)	0.000*	8064.277 (1.73)	0.000 (0.05)	0.000 (1.13)
pui	2042886.414 (1.33)	-5.124*** (-5.93)	-0.006*** (-9.93)	834322.467*** (6.09)	-5.801*** (-28.61)	-0.006*** (-16.43)
cons	-1.970e+08 (-0.99)	768.183*** (6.98)	0.748*** (8.85)	-1.130e+07 (-0.43)	1113.066*** (18.14)	0.269* (2.09)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	2,927	2,927	2,927	2,526	2,526	2,526

This table provides main results for the first policy change in 2005 classified by share percentage held by government. The first three columns are results from firms with government holding shares above average. The last three columns are below average. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Appendix Table A5: Robustness Check - 2012 policy change, classified by share percentage held by top executives

	vol	tr	return	vol	tr	return
I_{policy}	-7.933e+08*** (-19.05)	-896.381*** (-18.54)	-0.167* (-2.12)	-5.375e+08*** (-7.11)	-501.326*** (-29.16)	0.121** (2.92)
$I_{dividend}$	1125077.267 (0.25)	-1.352 (-0.17)	0.004 (0.33)	16537697.565 (1.71)	-0.594 (-0.11)	-0.003 (-0.73)
$I_{policy} \times I_{dividend}$	7239014.796 (-1.18)	0.805 (0.08)	-0.007 (-0.45)	2.940e+07 (-1.49)	0.339 (0.05)	0.007 (1.10)
marketcap	0.010*** (4.05)	0.000 (1.61)	0.000** (2.88)	0.009*** (4.96)	-0.000*** (-6.33)	0.000 (1.72)
assets	-0.042** (-3.14)	-0.000*** (-4.49)	-0.000** (-3.04)	-0.000 (-0.06)	0.000 (0.18)	0.000** (2.86)
debt	0.036** (2.63)	0.000*** (3.83)	0.000* (2.18)	-0.007 (-1.13)	0.000 (0.43)	-0.000 (-1.12)
finlev	1.305e+08 (1.81)	107.612 (1.66)	-0.528* (-2.39)	297868.624 (0.22)	-4.212 (-1.21)	0.013** (3.10)
tobin	-1.511e+07*** (-3.59)	-22.676*** (-4.52)	0.011 (1.36)	-1249193.982 (-1.48)	1.528*** (4.25)	-0.000 (-0.72)
pe	-26418.859 (-1.81)	0.038 (1.23)	0.000 (0.22)	-482.897 (-0.31)	-0.005*** (-3.81)	-0.000 (-0.37)
pui	-2771880.334*** (-24.55)	1.786*** (21.25)	-0.003*** (-6.68)	1628023.547*** (3.99)	3.942*** (42.38)	0.002*** (11.16)
cons	1.164e+08*** (3.84)	-54.698 (-0.94)	0.293* (2.58)	-3.702e+07 (-0.39)	39.441 (0.61)	-0.329*** (-5.14)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	2,578	2,578	2,578	5,358	5,358	5,358

Note: This table provides main results for the first policy change in 2012 classified by share percentage held by top executives. The first three columns are results from firms with top executives holding shares above average. The last three columns are below average. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).
* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Appendix Table A6: Robustness Check - 2012 policy change, classified by share percentage held by government

	vol	tr	return	vol	tr	return
I_{policy}	-2.228e+09*** (-13.19)	-1034.727*** (-23.62)	0.004 (0.41)	-3.511e+08*** (-5.09)	-731.918*** (-36.71)	-0.384*** (-7.58)
$I_{dividend}$	25064413.702 (1.57)	-4.372 (-0.63)	-0.002 (-0.37)	3866490.521 (1.16)	2.550 (0.45)	0.000 (0.01)
$I_{policy} \times I_{dividend}$	3.856e+07* (-1.09)	4.330* (0.42)	0.004 (0.52)	8843199.999 (-1.91)	2.546 (-0.35)	0.001 (0.07)
marketcap	0.009***	-0.000***	0.000	0.007***	-0.000	0.000***
assets	(4.83)	(-7.03)	(1.05)	(6.27)	(-1.22)	(4.64)
	0.000	0.000	-0.000	-0.026***	-0.000***	-0.000***
debt	(0.03)	(0.36)	(-1.21)	(-3.74)	(-4.00)	(-4.13)
	-0.007	0.000	0.000**	0.024**	0.000***	0.000***
finlev	(-1.21)	(0.24)	(2.76)	(2.81)	(4.13)	(3.48)
	-73305.138	-63.544	-0.015	-336297.964	-3.519	0.011*
tobin	(-0.00)	(-1.82)	(-0.49)	(-0.64)	(-1.02)	(2.54)
	-5.460e+07***	5.309	0.025***	-202561.511	1.000***	-0.000
pe	(-5.59)	(1.03)	(3.32)	(-0.77)	(3.33)	(-0.26)
	4181.794*	-0.006**	-0.000	812.622	-0.002	-0.000
pui	(2.24)	(-2.93)	(-0.49)	(0.54)	(-1.38)	(-0.83)
	-2524463.041***	1.524***	0.001***	-832696.853*	2.437***	-0.002***
cons	(-13.60)	(32.70)	(7.40)	(-2.48)	(24.58)	(-6.42)
	4.143e+08	46.974	-0.162***	1.078e+08*	107.140	0.006
	(1.93)	(0.67)	(-3.80)	(2.35)	(1.73)	(0.06)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	3,059	3,059	3,059	4,877	4,877	4,877

Note: This table provides main results for policy change in 2012 classified by share percentage held by government. The first three columns are results from firms with government holding shares above average. The last three columns are below average. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Appendix Table A7: Robustness Check - 2005 policy change (2001-2007 sample)

	vol	tr	return	vol	tr	return
I_{policy}	75295737.839*** (15.28)	230.444*** (35.30)	0.085*** (11.65)	1.066e+09*** (21.08)	1886.531*** (35.60)	1.232*** (18.70)
$I_{dividend}$	-689290.984 (-0.20)	-0.866 (-0.32)	0.007 (1.34)	-3078916.219 (-0.95)	-0.548 (-0.16)	0.009 (1.88)
$I_{policy} \times I_{dividend}$	-2778355.816 (-0.28)	-25.853* (-2.33)	-0.020 (-1.70)	-4143383.746 (0.56)	-7.353* (-1.06)	-0.011 (-1.49)
marketcap	0.004*** (3.89)	0.000*** (4.84)	0.000** (3.14)	0.005*** (5.45)	-0.000 (-1.58)	-0.000 (-0.30)
assets	0.002 (0.50)	-0.000*** (-5.96)	-0.000*** (-4.08)	-0.003 (-0.61)	0.000 (0.11)	-0.000 (-1.45)
debt	-0.007 (-0.86)	0.000*** (5.30)	0.000*** (3.70)	0.008 (1.01)	-0.000 (-1.49)	0.000 (0.49)
finlev				-1089060.301 (-1.38)	-0.657 (-0.61)	-0.006*** (-4.95)
tobin				-4511284.017** (-2.59)	-17.612*** (-7.19)	0.012*** (3.96)
pe				5405.200* (2.18)	0.008* (2.16)	0.000* (2.00)
pui				18407261.430*** (20.03)	31.088*** (31.78)	0.019*** (16.31)
cons	9529386.450*** (4.55)	83.664*** (51.60)	0.018*** (5.34)	-2.371e+09*** (-19.72)	-3683.879*** (-28.86)	-2.629*** (-15.26)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	3,972	3,972	3,900	3,919	3,919	3,894

Note: This table provides main results for the first policy change in 2005 using 2001-2007 sample. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Appendix Table A8: Robustness Check - 2005 policy change (2001-2007 winsorized sample)

	vol	tr	return	vol	tr	return
I_{policy}	75295737.839*** (15.28)	228.178*** (35.88)	0.085*** (11.65)	1.066e+09*** (21.08)	1850.538*** (36.61)	1.232*** (18.70)
$I_{dividend}$	-689290.984 (-0.20)	-0.892 (-0.33)	0.007 (1.34)	-3078916.219 (-0.95)	-0.342 (-0.10)	0.009 (1.88)
$I_{policy} \times I_{dividend}$	-2778355.816 (-0.28)	-24.176* (-2.21)	-0.020 (-1.70)	-4143383.746* (0.56)	-6.559 (-0.97)	-0.011 (-1.49)
marketcap	0.004*** (3.89)	0.000*** (4.83)	0.000** (3.14)	0.005*** (5.45)	-0.000 (-1.56)	-0.000 (-0.30)
assets	0.002 (0.50)	-0.000*** (-5.98)	-0.000*** (-4.08)	-0.003 (-0.61)	0.000 (0.03)	-0.000 (-1.45)
debt	-0.007 (-0.86)	0.000*** (5.32)	0.000*** (3.70)	0.008 (1.01)	-0.000 (-1.42)	0.000 (0.49)
finlev				-1089060.301 (-1.38)	-0.641 (-0.60)	-0.006*** (-4.95)
tobin				-4511284.017** (-2.59)	-17.506*** (-7.28)	0.012*** (3.96)
pe				5405.200* (2.18)	0.007* (2.11)	0.000* (2.00)
pui				18407261.430*** (20.03)	30.454*** (32.51)	0.019*** (16.31)
cons	9529386.450*** (4.55)	83.730*** (51.73)	0.018*** (5.34)	-2.371e+09*** (-19.72)	-3601.466*** (-29.44)	-2.629*** (-15.26)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	3,675	3,675	3,500	3,621	3,621	3,492

Note: This table provides main results for the first policy change in 2005 using full sample. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; TobinQ is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).

* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Appendix Table A9: Robustness Check - 2005 policy change, classified by share percentage held by top executives (2001-2007 sample)

	vol	tr	return	vol	tr	return
I_{policy}	4.544e+08*** (5.63)	1901.261*** (13.13)	1.287*** (14.52)	1.099e+09*** (20.48)	1877.462*** (32.33)	1.205*** (15.82)
$I_{dividend}$	1711048.912 (0.13)	5.271 (0.53)	0.008 (0.71)	-3177060.406 (-0.95)	-0.911 (-0.25)	0.009 (1.74)
$I_{policy} \times I_{dividend}$	-1.251e+07 (-0.68)	-18.966 (-1.03)	-0.013 (-0.91)	-4988995.975 (0.61)	-6.463 (-0.86)	-0.011 (-1.28)
marketcap	0.042** (2.60)	-0.000 (-0.56)	0.000*** (5.34)	0.004*** (5.49)	-0.000 (-1.57)	-0.000 (-0.41)
assets	0.156* (2.06)	-0.000 (-0.36)	-0.000 (-1.03)	-0.003 (-0.61)	0.000 (0.15)	-0.000 (-1.46)
debt	-0.098 (-0.80)	0.000 (1.48)	0.000 (0.53)	0.008 (1.00)	-0.000 (-1.53)	0.000 (0.52)
finlev	-2.351e+07 (-0.43)	-106.638* (-2.47)	-0.013 (-0.29)	-869768.386 (-1.15)	-0.439 (-0.43)	-0.006*** (-4.79)
tobin	-1.784e+07** (-2.98)	-13.026* (-2.24)	-0.004 (-0.52)	-485850.697* (-2.45)	-17.415*** (-6.38)	0.014*** (4.01)
pe	7239.930 (1.29)	0.004 (0.50)	0.000*** (3.93)	3407.931 (1.43)	0.008* (1.99)	0.000 (1.55)
pui	8356390.511*** (5.29)	31.592*** (11.30)	0.019*** (11.61)	19075580.993*** (19.43)	30.959*** (28.88)	0.019*** (13.74)
cons	-9.544e+08*** (-4.64)	-3711.582*** (-10.22)	-2.593*** (-11.52)	-2.443e+09*** (-19.48)	-3831.553*** (-27.67)	-2.460*** (-13.53)
Year f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Firm f.e.	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	501	501	488	3,418	3,418	3,406

Note: This table provides main results for the first policy change in 2005 classified by share percentage held by top executives using 2001-2007 sample. The first three columns are results from firms with top executives holding shares above average. The last three columns are below average. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).
* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.

Appendix Table A10: Robustness Check - 2005 policy change, classified by share percentage held by government (2001-2007 sample)

	vol	tr	return	vol	tr	return
I_{policy}	1.169e+09*** (15.93)	1819.180*** (27.34)	1.255*** (10.97)	8.258e+08*** (15.75)	2044.414*** (23.97)	1.229*** (19.89)
$I_{dividend}$	-2339169.074 (-0.56)	1.631 (0.40)	0.008 (1.34)	-9412624.694* (-2.33)	-4.712 (-0.73)	0.013 (1.67)
$I_{policy} \times I_{dividend}$	-2576293.280 (-0.24)	-14.022 (-1.69)	-0.006 (-0.62)	-16001761.945* (2.09)	-7.144 (0.62)	-0.021 (-1.94)
marketcap	0.006***	-0.000***	-0.000	0.007***	-0.000***	-0.000***
assets	(4.86)	(-4.58)	(-0.80)	(14.81)	(-7.24)	(-3.32)
debt	0.005	0.000	-0.000*	-0.020*	0.000**	0.000
finlev	(1.10)	(0.46)	(-2.27)	(-2.32)	(2.89)	(0.11)
tobin	0.002	-0.000	0.000	0.029	-0.000**	-0.000
pe	(0.18)	(-1.66)	(0.90)	(1.79)	(-3.21)	(-0.10)
pui	-9.284e+07** (-2.73)	42.531 (1.93)	-0.004 (-0.12)	-781553.990 (-0.89)	-0.592 (-0.46)	-0.006*** (-4.49)
cons	-6148432.537* (-1.97)	-10.328*** (-3.42)	0.013** (2.83)	-6178933.259** (-3.15)	-20.116*** (-5.33)	0.013** (2.81)
Year f.e.	3442.594 (1.49)	0.009** (2.90)	0.000 (1.38)	11992.518 (1.55)	0.004 (0.43)	0.000 (1.50)
Firm f.e.	20158118.446*** (15.36)	29.926*** (24.26)	0.020*** (9.64)	14218756.995*** (15.14)	33.830*** (21.47)	0.019*** (16.61)
Obs.	-2.553e+09*** (-15.37)	-3799.537*** (-23.94)	-2.553*** (-9.37)	-1.811e+09*** (-14.82)	-4025.307*** (-20.00)	-2.637*** (-16.04)
	Yes	Yes	Yes	Yes	Yes	Yes
	Yes	Yes	Yes	Yes	Yes	Yes
	2,194	2,194	2,185	1,725	1,725	1,709

Note: This table provides main results for the first policy change in 2005 classified by share percentage held by government using 2001-2007 sample. The first three columns are results from firms with government holding shares above average. The last three columns are below average. I_{policy} is the time dummy, which equals to 1 if after 2005 Q3; $I_{dividend}$ is the policy dummy, which equals to 1 if a firm initiate/increase dividend distribution after 2005 Q3. Vol is the trading volumes; tr is the turnover rate; return is the return rate; Marketcap is a stock's market capitalization. Finlev is the financial leverage; Tobin is the Tobin's Q; pe is the price earning ratio; pui is the political uncertainty index. Data is from China Stock Market and Accounting Research Database and Economic Policy Uncertainty Index Website (<http://www.policyuncertainty.com/index.html>).
* Significant at 10 percent. ** Significant at 5 percent. *** Significant at 1 percent.