

CORPORATE PERFORMANCE AFTER CASH DIVIDENDS: BASE ON INDUSTRY COMPETITION AND CORPORATE GOVERNANCE

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Abstract

This paper specify this relationship based on the views of industry competition and corporate governance with internal and external. Because of the relationship between the firm's payout policy and its operating performance is still undetermined. By the examination from the 2011-2015 samples of listed companies in China. We found the amount of dividends issued is signally correlated with the corporate performance. The stronger the external governance, the more the executives tend to use the dividend signal to provide business information. In addition, business opacity and the industrial characteristics will also affect the formulation of dividend policy and the improvement of corporate performance. Therefore, it makes contribution on the regular's control of corporate governance, the signaling of information quality, and the monitoring of product market competition.

Key words: Corporate governance; Industry competition; Cash dividend

1、 Introduction

In the discussion of traditional financial literature, the dividend policy is no generally explanation for decision-making behavior (Samueland Edward, 2011). Stock profit is not only investment returns, but also a reference basis for the company's future operating in investor's aspect. Whether it is the positive impact of retained cash on corporate opportunities (Myers, 1984), or the negative view between dividend payment and investment opportunities (Fama and French, 2002). There has been no consensus between cash dividend payment and enterprise performance. Generally there are better operators behind the profitable enterprises. However, with the continuous expansion of the scale of the enterprise, shareholders also eager for dividends from the operating profits which are balance between capital budget and financing constraint. The manager needs to additionally consider how to distribute dividends. This paper aims to verify the impact of internal and external corporate governance and market competition on the relation between dividend policy and enterprise performance. Cash dividend payment not only give back operating results but also reduce enterprise tax, which has become an important signal to release business vision. Another hand, the payments also reduce of enterprise resources, which may cut down the future competitiveness and liquidity. In addition, the cash dividends is reducing the resources hold by manager which lead the self-dealing availability less. Consider the other factors, the market competition affects R & D benefit,

resulting the relationship changed between financing constraints and retained cash (Wu, 2016). Hou et al. (2017) pointed out the dividend distribution rate in the listed company with R & D benefit increased. It can improve the survival ability in market competition. Therefore, dividend policy also hot discussion of corporate governance.

This paper makes an empirical analysis based on the data of A-share listed companies in Shanghai and Shenzhen from 2011 to 2015. It shows there is a significant positive correlation between the amount of dividends and the operating performance of the next year, which means the manager will use the dividend announcement to disclose the future operating. The improvement of internal corporate governance and the strengthening of external corporate governance have a positive impact on enterprise performance. However, excessive internal corporate governance affects the manager willingness to pay dividends because of the loss of resources. On the other hand, the stronger the external corporate governance push insider information transfer to high-quality shareholders and tend to pay more dividends.

The contribution of this paper point out the significant impact of corporate governance on China's listed company in the following aspects: first, this paper distinguishes the different effects of internal and external corporate governance on dividend policy. It effectively supplements the theoretical research on corporate governance arguments in the literature; second, this paper emphasizes the dividend policy in developing countries, which is the reason why dividends can effectively transmit performance information. Third, we points out some factors outside enterprises will also affect the relationship between dividend policy and business performance. The remaining contents as follows: the second part is the literature review and research hypothesis, the third part is the research design, the fourth part is the empirical conclusion and discussion, and finally the conclusion and prospect.

2、 Literature review and Research hypothesis

Dividend policy has been discussed since Miller and Modigliani (1961) mention the dividend independence theory under the assumption of perfect capital market. Arnott and Asones (2003) used the data more than 100 years from 1871 to 2001 in the United States and found there is a positive relationship between the dividend distribution rate and the future income growth, which is fit the signal theory indicate dividends are the signal of the stability of the enterprise's future cash flow. Fama and French (2001, 2002) found the proportion of companies paying cash dividends decreased significantly after 1978 in empirical date. Companies maintaining low dividend payments most are with investment plans now or future. This is consistent with the pecking order theory that internal funds are cheaper than external funds.

The agency theory holds that paying dividends can reduce free cash flow and ensure that managers maximize shareholders' wealth rather than over-investment or self-dealing consumption. Therefore, enterprises should establish relevant mechanisms to let managers give priority to maximizing corporate interests (Jensen and Meckling, 1976; Rozeff, 1982). Harada and Nguyen (2011) believe that managers are based on self-dealing, there will be incentives to restrain the distribution dividends and prevent the loss of resources. If executives divert dividend resources for private use, it will harm the rights and benefit of minority shareholders,

also have a negative impact on the performance of enterprises operating. Relevant studies in China also point out that internal corporate governance has an impact on enterprise performance and resource allocation. A good internal corporate governance system can solve the contradiction of enterprise objectives and over-investment, and regulate working capital management and corporate performance (Tang, 2017). However, excessive internal corporate governance may cause overconfidence of management and may also reduce enterprise performance (Chen et al., 2017). Although internal corporate governance helps to improve business performance and slow down agency issues, excessive corporate governance will lead to executives' overconfidence and self-dealing behavior. Therefore:

H₁: after considering corporate governance, there is a positive linear relationship between cash dividend and corporate performance in the next period.

Market competition can improve the symmetry of information and increase the transparency of information, Reduce agency cost and improve enterprise performance. Chen et al.,(2016) found that the analyst report as an external governance mechanism helps to improve the quality of accounting information, and has a more significant impact on non-state-owned enterprises. Jin et al., (2015) found that the analyst following have a positive correlation with the equity value of enterprises. Companies followed by more analysts will focus on the abnormal earnings of the company. On the contrary, companies followed by fewer analysts focus on net worth, mostly companies with slow growth and poor profits, which represents that the attention of analysts is closely related to operational risks. Giroud et al., (2010) believe that monopoly enterprises will make additional profits by taking advantage of monopoly advantages, which will lead to relaxation of internal management and is not conducive to business performance. Therefore, external market competition plays a substitute role for internal corporate governance, and fierce market competition has become the main source of external corporate governance (Gupta et al., 2017). The lower the degree of product market competition, the more the management neglects shareholders' rights and interests, so as to pursue their own interests. However, a high degree of market competition can reduce the adverse impact of managers' overconfidence on enterprise performance (Han et al., 2016). Therefore:

H₂: the external corporate governance of the market environment will affect the relationship between cash dividends and corporate performance in the next period.

Intense market competition can improve the symmetry of information and increase the transparency of information. When the competition in the product market lower, the management may neglect the rights and benefits of shareholders and pursue their own interests (Aggarwal et al., 1999; Bertrand et al., 2003). Extra profits will therefore lead to slack internal management, which is not conducive to business performance; Gupta et al.,(2017) also believe that the information of perfectly competitive market is fully disclosed, and its market characteristics will be more like with efficient market. Therefore, external market competition has played a substitute role for internal corporate governance, and fierce market competition has become the main source of external corporate governance. Tang (2018) pointed out in order to improve the competitiveness of enterprises, R & D investment has become the main way for enterprises to highlight their advantages and affect the market competition. However, R & D

investment will reduce enterprises' current cash flow, crowd out the internal resource allocation to affect the executive compensation. However, some studies believe that the degree of product market competition has an inverted U-shaped relationship with the level of enterprise cash dividend payment (Lyu, 2016). Hou et al. (2017) pointed out that the dividend distribution rate of listed companies with R & D benefit increased, and the possibility of reducing financing constraints is very small. Therefore, although the R & D efficiency of enterprises lags behind, it can improve the survival ability of enterprises in product market competition and improve the performance of enterprises. Therefore:

H_{3a}: the industrial competitive environment will affect the relationship between cash dividends and the company's performance in the next period

H_{3b}: industrial R & D density will affect the relationship between cash dividends and company performance in the next period

H_{3c}: industrial growth will affect the relationship between cash dividends and company performance in the next period

3、 Sample Selection and Methods

The relevant financial data of Chinese listed companies from CSMAR database, which is the annual data of A-share listed companies from 2011 to 2016. Due to the time lag effect of the topic discussed, 10323 firm-year of samples are obtained excluding ST and * ST companies.

The corporate governance rating data used in this paper is a comprehensive index based on Jenter and Lewellen (2015) and revised. It starts from the basic background of the company, such as the company's market value, equity market price ratio and listing time. The other part considers the company's profitability, such as return on assets and return on sales, as well as the age and tenure of the CEO. This approach is because the commonly used G-INDEX developed on the basis of foreign listed companies focuses on the combination of variables representing shareholders' rights, resulting in frequent data leakage (Humphery-Jenner, 2014). This shortcoming is particularly obvious in the empirical study based on Chinese listed companies (Lin, 2018). However, corporate governance is also affected by the external market environment. In the way of Anderson et al., (2009), this paper considers the possibility of obtaining Chinese data, and calculates the corporate governance rating data evaluated by the market based on the number of analysts, analysts' prediction error, bid ask spread and stock trading volume, so as to consider the theme of this paper from different levels.

The other mail variables have been discussed above and are briefly introduced as follows: ROA is the company's return on assets and Div-C is the cash dividend per share. In addition, with reference to Hutton et al., (2009) and Anderson et al., (2009) and relevant literature, the control variables as follows: Size is the scale of the enterprise and takes the natural logarithm for the total assets of the company; Lev is the liability ratio, which is total liabilities divided by total assets; Cap is the proportion of the company's capital expenditure in the total assets at the end of the year; Cfo is the undistributed cash flow, which is the difference between the company's annual operating cash flow minus business tax, deferred income tax, interest expenses and

various dividends payable, and then divided by the total assets at the end of the year. Or-exp is the ratio of sales expenses, management expenses and daily expenses to sales; Adr-exp is the ratio of advertising expenditure to operating income; Rdr is the ratio of R & D expenditure divided by current operating income. In the subsequent robustness test, we considered the impact of the industry as follows. The HHI-IND (Herfindahl index) is used, that is, the proportion of the sales revenue of enterprises in the same industry in the whole industry every year, taking the sum of squares. Since the index is a measure of market concentration, we subtract it with 1 to reflect the degree of product market competition (Vomberget al., 2015). The larger the value is, represents the more competition in the industry, on the contrary, the smaller the value. Rd-IND is the industrial R & D density, which is the average value of R & D expenses of each enterprise in the industry in the proportion of total sales revenue; Gr-IND is a fictitious variable of industrial growth. If the market value of the enterprise exceeds the average value of the industry in that year, it is 1, otherwise it is 0.

Table 1 shows descriptive statistics of the sample. The difference between the minimum value (-22.008) and the maximum value (25.684) of ROA is obvious, which shows that the performance of sample is very different. The minimum value and the first quartile of the cash dividend amount are both zero, indicating that one quarter of the companies do not pay cash dividends; The Div-C minimum value and the first quartile are zero, confirming the lag of R&D benefits may be difficult to attract business investment.

Table 1: Descriptive Statistics					
	Mid.	Mean.	Std.	Min.	Max.
ROA	3.338	3.955	5.605	-22.008	25.684
Div-C	0.050	0.109	1.198	0	6.419
IcG	5.500	5.465	1.178	2.625	8.250
OcG	5.000	4.861	1.880	0.750	9.000
Size	21.859	22.033	1.226	19.383	26.426
Lev	47.133	46.568	20.050	4.355	90.604
Cap	4.529	6.021	5.256	0.037	28.869
Cfo	4.780	4.980	7.207	-19.556	29.037
Rdr	0.057	1.182	2.003	0	12.133
Or-exp	7.198	8.617	6.435	0.614	47.524
Adr-exp	0.024	0.793	2.401	0	22.095
HHI-IND	0.038	0.046	0.061	0.015	0.419
Rd-IND	1.234	1.484	1.370	0	5.979
Gr-IND	12.764	14.338	8.508	-4.489	42.895

The corporate governance rating evaluated in this paper is based on the residual term after regression estimation μ as the basis for evaluation. Using the residual error of the above model, the company is divided into 10 groups every year, the minimum is 1 and the maximum is 10, and the IcG is obtained, so that it is between 1 and 10 points. The closer the index is to 10 points, the better the internal corporate governance of the company is, and vice versa. Where, $IcG_{i,t+1}$ is the original corporate governance variable of the i company in the next year, CEO_{age} is the age of the CEO of the current year. The reason for using the data of the current year is

that the data are from the financial report information at the end of the year, and its impact is caused by the next year. Tenure is tenure as CEO, New_CEO is a dummy variable. Take whether it is the CEO who takes office in the current year. In (MV) is the natural logarithm of the company's market value, BM is the net to market ratio of the company's equity, ROA is the company's return on assets, Firm_age is the total number of listing months of the company to the end of the current year, Po_yr is the rate of return for the year. The corporate governance rating of the market environment assessment is to obtain a rating score of 0.1-1.0 through standardization. The external governance OcG is the sum of the four variables, taking the natural logarithm of stock trading volume and dividing the bid ask spread by the average stock price; The natural logarithm of the number of analysts following is taken as the number of analysts following each year. The three variables are ranked from high to low by interval, with an integer value of 10 points to 1 point; the analyst's prediction error is the square value of the difference between the analyst's predicted earnings per share and the enterprise's real earnings, divided by the company's share price, and assigned from low to high. Table 1 shows the descriptive statistics of each variable:

The purpose of this paper is to verify the relationship between corporate performance and industry and corporate governance after cash dividend. Based on theoretical assumptions, considering the adjustment effect on the basis of single factor model, through the variables of cross multiplication term and various control variables, a multivariate model is generated as follows, in which cG is internal and external respectively, and IND includes HHI, Rd and Gr:

$$IcG_{i,t+1} = \varphi_0 + \varphi_1 \times CEO_{age_{i,t}} + \varphi_2 \times Tenure_{i,t} + \varphi_3 \times New_CEO_{i,t} + \varphi_4 \times \ln(MV)_{i,t}$$

$$+ \varphi_5 \times BM_{i,t} + \varphi_6 \times ROA_{i,t} + \varphi_7 \times Firm_age_{i,t} + \varphi_8 \times Po_yr_{i,t} + \mu_{i,t} \quad (1)$$

$$ROA_{i,t+1} = \alpha_0 + \alpha_1 DIV_{it} + \alpha_2 cG_{it} + \alpha_3 DIV_{it} \times cG_{it} + CONTRAL + \varepsilon_{it} \quad (2)$$

$$ROA_{i,t+1} = \alpha_0 + \beta_1 DIV_{it} + \beta_2 IND_{it} + \beta_3 DIV_{it} \times IND_{it} + CONTRAL + e_{it} \quad (3)$$

4、 Empirical results

Table 2: Pearson correlation coefficient

	ROA	Div-C	IcG	OcG	Size	Lev	Cap	Cfo	Rdr	Or-exp	Adr-exp
Div-C	0.388**	1									
IcG	-0.040**	-0.043**	1								
OcG	-0.053**	-0.026**	-0.056**	1							
Size	-0.018	0.202**	-0.008	-0.094**	1						
Lev	-0.326**	-0.164**	0.085**	-0.105**	0.418**	1					
Cap	0.053**	0.050**	-0.051**	0.156**	0.040**	-0.049**	1				
Cfo	0.371**	0.279**	-0.034**	-0.075**	0.046**	-0.163**	0.158**	1			
Rdr	0.118**	0.059**	-0.048**	0.150**	-0.120**	-0.277**	0.010	-0.002	1		
Or-exp	-0.005	-0.070**	0.036**	0.044**	-0.322**	-0.296**	-0.048**	-0.048**	0.370**	1	
Adr-exp	0.186**	0.162**	-0.030**	-0.015	-0.035**	-0.160**	-0.014	0.080**	0.077**	0.111**	1

NOTE: *, ** as statistical significance at 5% and 1%

The Pearson correlation coefficients of the main variables are shown in Table 2. The table shows that there is a significant positive correlation between enterprise performance (ROA) and cash dividend (DIV-C). Enterprises that support more dividends have better performance. There is a significant negative correlation between corporate performance and IcG, highlighting that a high degree of corporate governance system will affect corporate performance. The OcG estimated from the perspective of market environment is also significantly negatively correlated, which verifies the impact of high corporate governance on enterprise performance again. This result is the same as Fuller et al., (2011) investigating when enterprises should pay dividends based on the market background. There is a significant positive correlation between enterprise performance and R & D intensity, which strongly proves that high R & D intensity is conducive to the improvement of performance. In addition, Or-exp and Lev are negatively correlated with performance and dividend distribution. These two variables represent operating expenses and interest expenses brought by liabilities, which can offset enterprise performance. However, the proportion of ADR-exp advertising expenditure and Cap capital expenditure is positively correlated with the company's performance. The possible non-linear factors of this topic will be discussed later.

Table 3: Eigenvalue test of high dividend minus low dividend

	Low	Q2	Q3	Q4	High	High-Low
ROA	1.281	1.199	3.640	5.175	8.228	6.947**
IcG	5.587	5.390	5.405	5.411	5.412	-0.175**
OcG	4.665	4.828	5.015	5.080	4.807	0.143**
HHI-IND	0.044	0.044	0.045	0.047	0.051	0.007**
Rd-IND	1.300	1.923	1.537	1.492	1.560	0.260**
Gr-IND	14.598	13.231	13.679	14.797	14.507	-0.091

NOTE: *, ** as statistical significance at 5% and 1%

In order to explore the performance and main variables of high dividend enterprises and low dividend enterprises, this paper constructs enterprises into five dividend combinations from low to high according to the amount of dividend distribution, and tests the difference in eigenvalues between the highest dividend distribution combination and the lowest dividend distribution combination. The results are shown in Table 5: after clustering according to the dividend distribution of sample enterprises, It shows that enterprises with good performance will pay more cash dividends than those with poor performance., Compared with high dividend paying enterprises, low dividend paying enterprises have a larger internal corporate governance rating, which shows that when the internal corporate governance is too strong, it is not conducive to dividend paying. The higher the R & D level of OcG and industry representing the market environment, the more dividends are paid, indicating that executives may be more inclined to pay dividends to convey performance information. The degree of market competition representing the industrial environment and the intensity of industrial R & D also play a certain role in promoting dividend distribution.

Table 4: Empirical results

	Model 2			Model 3		
Intercept	4.678** (4.27)	6.246** (5.78)	Intercept	5.146** (4.98)	5.048** (4.97)	4.610** (4.41)
Div-C	7.403** (3.56)	6.701* (2.51)	Div-C	6.898** (5.75)	5.509** (4.22)	5.001** (3.13)
IcG	0.046 (0.85)		HHI-IND	0.063 (0.06)		
Div-C*IcG	-0.054 (-0.16)		Div-C*HHI-IND	5.376 (0.94)		
OcG		0.045** (3.81)	Rd-IND		0.203** (3.19)	
Div-C*OcG		0.025 (0.21)	Div-C*Rd-IND		1.497** (3.35)	
			Gr-IND			0.007 (0.73)
			Div-C*Gr-IND			0.169* (2.17)
Size	0.031 (0.58)	0.010 (0.17)	Size	0.020 (0.39)	0.033 (0.64)	0.039 (0.75)
Lev	-0.067** (-19.02)	-0.068** (-20.13)	Lev	-0.067*** (-18.99)	-0.066*** (-19.74)	-0.067*** (-19.39)
Cap	-0.014 (-1.59)	-0.004 (-0.47)	Cap	-0.015* (-1.68)	-0.013 (-1.48)	-0.018** (-2.10)
Cfo	0.197** (21.36)	0.192** (21.26)	Cfo	0.197*** (21.49)	0.193*** (22.31)	0.197*** (22.10)
Rdr	0.169** (6.10)	0.189** (6.95)	Rdr	0.169*** (6.09)	0.172*** (5.80)	0.161*** (5.89)
Or-exp	-0.067** (-6.32)	-0.068** (-6.62)	Or-exp	0.205*** (8.59)	0.198*** (8.67)	0.202*** (8.68)
Adr-exp	0.203** (8.58)	0.200** (8.58)	Adr-exp	-0.067*** (-6.30)	-0.063*** (-6.06)	-0.065*** (-6.21)
Adj R ²	29.27%	29.57%	Adj R ²	29.27%	29.61%	29.58%
N	10323	10323	N	10323	10323	10323

NOTE: *, ** as statistical significance at 5% and 1%

Therefore, after confirming the significant correlation between performance and dividend distribution, this paper makes regression demonstration according to the measurement model, and the results are shown in Table 4. Among them, there is a significant positive relationship between the amount of cash dividends and operating performance, which means that senior managers use cash dividends to transmit operating information and reduce agency costs. Hypothesis 1 is true. There is a positive correlation between corporate performance and corporate governance, but it is not significant. The external corporate governance represented by the market environment has a significant impact on corporate performance, but its multiplicative term is not significant, and the representative does not play a regulatory role. Assuming that the two parts are true, most of the past literatures support that corporate governance is conducive to corporate performance, which may be affected by a high degree of

internal governance system, which will inhibit the impact between dividend policy and corporate performance. Although external governance can affect performance, it will not affect the relationship between cash dividend and performance. In the part of control variables, the undistributed cash flow, which represents abundant funds, has a significant positive relationship with the growth of enterprise performance, indicating that abundant internal funds help enterprises grasp favorable investment opportunities and improve the company's performance, which is consistent with the results pointed out by Deb et al., (2016) that enterprises with excess cash contribute to their business survival and success. Or-exp and Lev, which represent the internal resource consumption of the company, have a significant negative relationship, indicating that the waste of internal resources has a negative impact on business performance. In addition, R & D intensity has a positive relationship with enterprise performance, which represents that the enterprise's R & D activities are conducive to improving the company's performance. Other control variables showed consistent significance in each model.

In the industrial measurement part, the industrial competition HHI-IND is not significant, but the R & D level in the industry and its multiplication term are significant, which means that if the R & D in the industry is ahead of other companies, the greater the correlation between performances is. At the same time, the significant regulatory effect means that the R & D intensity in the industry contributes to the relationship between cash dividend and performance, which represents the establishment of H_{3b}. Although there is Rdr in the control variable, which is a significant pointer in all models, this index in model 4 is larger than other values.

Because the impact of internal corporate governance on the amount of dividends may not be a continuous value, and nearly 25% of the sample enterprises do not pay dividends, this paper replaces the amount of cash dividends with the dummy variable of whether to pay dividends to highlight the importance of whether to pay dividends to shareholders. In addition, the annual effect is added to modify the possible time effect of the model. Table 5 shows whether the enterprise pays dividends and internal and external corporate governance to observe its impact on performance. After adjusting the dividend distribution variables, the significance of the intercept item of the model decreases, but the significance of the variables increases. Among them, whether the enterprise pays dividends or not and the impact of internal corporate governance on enterprise performance are positive and significant, which means that the quality of internal corporate governance has a significant impact on whether to pay dividends. It can also be seen from the intersection of internal corporate governance and dividend payment that corporate governance and whether to pay dividends are the most significant. In addition, the positive and negative coefficients of the control variables do not change, which means that a certain degree of controllability is achieved.

Table 5: Robust test

	Model 2		Model 3			
Intercept	-2.413*	0.748	Intercept	-1.131	-1.334	-1.068
	(-2.16)	(0.70)		(-1.08)	(-1.29)	(-1.02)
Pay	3.757**	5.026**	Pay	2.577**	2.632**	2.369**
	(6.97)	(16.95)		(18.12)	(15.58)	(11.54)
IcG	0.214*		HHI-IND	0.054		
	(2.51)			(0.03)		
Pay*IcG	-0.212*		Pay*HHI-IND	0.199		
	(-2.23)			(0.11)		
OcG		0.006	Rd-IND		0.117	
		(0.54)			(1.23)	
Pay*OcG		-0.121**	Pay*Rd-IND		0.034	
		(-8.81)			(0.36)	
			Gr-IND			0.005
						(0.33)
			Pay*Gr-IND			0.015
						(1.17)
CONTRAL						
YEAR						
Adj R ²	29.27%	29.57%	Adj R ²	29.27%	29.61%	29.58%
N	10323	10323	N	10323	10323	10323

NOTE: * statistical significance at 5 percent; ** statistical significance 1 percent.

5. Conclusion and Prospect

Through the empirical analysis of the sample data of Shanghai and Shenzhen A-share listed enterprises from 2011 to 2015, this paper aims to verify how the power of internal corporate governance and external corporate governance (i.e. product market competition) affect the relationship between corporate dividend distribution and business performance. Based on the literature on dividend policy, corporate performance and internal and external corporate governance, this paper believes that corporate governance can improve the relationship between dividend and corporate performance and reduce agency costs, but the regulatory effects of internal and external corporate governance are different. The empirical results show that both internal and external corporate governance can have a positive impact on performance and dividend, but too high internal corporate governance may inhibit the positive impact of dividend policy on enterprise performance; In the highly competitive industries, the positive correlation between dividend policy and enterprise performance is more significant under the high degree of external corporate governance. This may be because external corporate governance can also reduce agency costs to improve the efficiency of decision-making. In addition, high R & D intensity also promotes the positive correlation between dividend policy and enterprise performance. Therefore, the intensity of internal corporate governance should

not be too high in order to enhance the regulatory role of dividend distribution and enterprise value; External corporate governance is conducive to the promotion of dividend policy to convey the future business information of enterprises, which is in line with the literature description of market competition promoting enterprise efficiency.

This paper holds that in order to move towards high-quality development of China's economy, paying close attention to management improvement is an important step. From the perspective of enterprises, the essence of management is internal corporate governance, so improving management can be attributed to the efficiency of internal corporate governance. However, high internal governance will inhibit the positive correlation between dividend policy and corporate performance, so it is very important to find the balance of internal governance. In addition, the sound competition in the product market is a favorable condition for creating external governance. This paper affirms the literature's views on market competition and strengthening corporate governance, and also supports the policy of accelerating market opening from the empirical data of developing countries. This paper suggests that enterprises should continue to invest in R & D expenditure to ensure competitiveness and promote the positive impact of dividend policy on enterprise performance. Dividend policy can convey business information. With the improvement of corporate governance environment, it can reduce the internal and external information asymmetry and create the value of sustainable development.

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