Research on Dividend Distribution Policies of Listed Companies in China's E-commerce Industry-Taking Focus Technology as an Example

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Abstract. Scientific and reasonable dividend distribution policy is of great significance for the future development of the company. By analyzing the dividend distribution of Focus Technology Co., Ltd, this paper evaluates the dividend distribution policy of Focus Technology from the influencing factors of the two major dividend distribution policies, namely, profitability and development stage. In the process of research, it is found that the dividend distribution of listed companies in China has the problems of a single form of dividend distribution and poor stability of payment. In view of these problems, the author puts forward countermeasures such as enriching the dividend payment methods and improving the corporate governance structure. This paper hopes this paper can play a certain role in promoting the research of dividend distribution policies of related companies.

Keywords: Dividend distribution policy, e-commerce industry, dividend payment method.

1. Introduction

As an important economic activity in the process of enterprise financing, whether the dividend policy is scientific and reasonable also has an important impact on the future development of enterprises. Scientific and reasonable dividend distribution policy of listed companies is conducive to establishing a good image of listed companies and is conducive to the sustainable and healthy development of listed companies. Firstly, the company's future financing, investment, and other business activities are affected by the company's dividend policy. Secondly, in order to obtain long-term stable economic growth and development opportunities, listed companies must have a scientific and reasonable dividend distribution policy. A reasonable dividend distribution policy plays an important role in raising capital and stabilizing the financial situation. A dividend distribution policy can make the stock price rise steadily, thus attracting the company's investment.

This paper focuses on the dividend policy of Focus Technology Co., Ltd. by studying the current situation of dividend policy and the factors affecting the development of dividend policy, pointing out the problems in dividend policy, and further proposing suggestions to improve the company's dividend policy.

2. Literature Review

2.1. Definition of the Concept of Dividend Distribution

Dividend distribution has been meant that a company pays dividends to its shareholders. Listed companies return part of their income to shareholders in the form of cash or stock. Dividends can be paid in cash, which is done on the basis of dividends per share. The return to the shareholders is known as dividend distribution which is also considered as a capital gain. Feng Hua (2020) states that dividend policy can reflect the company's financial position and business philosophy and also send signals to the capital market. Therefore, the company can encourage long-term stock ownership through dividends to enhance shareholders' trust and increase the value of the company. [1] Dividend distribution is usually decided by the general meeting of shareholders and is subject to the restrictions and limitations of relevant laws and regulations.

2.2. Literature Review

There have been many studies on dividend distribution policy in China and abroad.

2.2.1. Foreign-related studies

Missaoui I et al. (2022) have argued that there is a positive effect of equity structure on the dividend payout ratio.[2]

Victor B, João M G, Pedro S, et al. (2022) have argued that dividends tend to be less stable but increase in amount after a change in chief executive officer [3].

Ben Salah Olfa and Jarboui Anis (2022), through their study, this paper can conclude that in firms with smaller boards of directors, the effect of surplus management on dividend policy is more favorable [4].

Hartono Powell Gian and Robiyanto Robiyanto (2023) through their study, this research can conclude that profitability and lagged dividends are two factors that lead to inconsistency in the distribution of dividends [5]

2.2.2. Domestic-related research

Yongying Chen (2010) has argued that not distributing dividends can retain profits within the company and thus alleviate the company's financial constraints, which helped to alleviate the company's indebtedness and achieve stable and sustainable development of the company. Declining profitability, high debt level, and still strong need for expansion in the future are all reasons why companies do not pay dividends [6].

From Yanxiong Yao et al. (2020), Gree Electric's dividend policy for many consecutive years has led to a high turnover rate of shares for individual investors and a decline in stock prices in the secondary market, which to a certain extent indicates that investors are dissatisfied with the policy of not paying dividends and are concerned about the future development of the enterprise. and concerns about the future development of the enterprise. [7].

Jiawei Qiao and Chengang Ye (2021) have argued that combining cash dividends with stock dividends can help listed companies achieve fair and equitable dividend distribution, increase the importance of small and medium-sized shareholders, and better protect their interests. [8].

Jiahao Tian (2022) has believed that there was a significant positive correlation between the historical performance of listed companies and dividend payment preference, the better the company's historical performance, the greater its propensity to pay dividends; the company's high level of cash dividend payment and the future performance of the enterprise also has a significant positive correlation between the company's high level of cash dividend payment and the future performance of the enterprise, the enterprise's dividend payout ratio is the higher the future performance of the company, the better the performance of the enterprise. [9].

Bowen Zhao and Xuzhu Xu (2023) through a study, that corporate strategic positioning has a significant impact on cash dividend distribution, the more the aggressive corporate strategy, the lower the level of corporate cash dividend distribution; aggressive companies are more likely to fall into external financing difficulties, companies tend to reduce the level of cash dividend distribution in order to avoid financing difficulties. [10].

2.2.3. Research review

There are many theories about dividend distribution policy, and there are rich studies on the reasons and pros and cons of the company's dividend distribution policy, which gives this paper theoretical support to analyze the dividend distribution policy of Focus Technology, which is of great significance. This paper chooses to analyze Focus Technology Co. to focus on the dividend distribution policy of a medium-sized Chinese b2b Internet trade e-commerce platform.

3. Review of Focus Technology's Dividend Distribution Policy

3.1. Overview of Focus Technology

Focus Technology Co., Ltd. was founded in 1996. The company always integrates the traditional industry with the Internet in depth and has introduced the Internet into many fields such as foreign trade, insurance, enterprise procurement, education, medical care, etc. The company has developed and operated e-commerce platforms such as Made-in-China.com, Crov.com, and NewOneStopInsurance.cn, as well as Internet projects such as intelligent education and mobile medical care. Programs. With years of accumulation, it's Made-in-China website has become an important network channel for global buyers to find Chinese suppliers and trade partners. 2013, Focus Technology set up a U.S. company in Los Angeles to formally lay out the cross-border trade service field; in 2015, the Made-in-China China-U.S. cross-border trade service platform went online to operate, and with the support of overseas landed displays and warehousing and other services, it further helps domestic Enterprises to achieve localized operations in overseas markets; the same year, Focus Technology acquired the U.S. e-commerce platform Doba. 2022 Focus Technology Co. had a net income of 1.463 billion yuan and a net profit of 300 million yuan, and as of September 5, 2023, Focus Technology had a total market capitalization of 9.769 billion yuan in Renminbi.

This paper chooses to analyze Focus Technology Co. because there is less analysis of Chinese b2b trade e-commerce platforms. Focus Technology, as an Internet e-commerce platform, focuses on helping small and medium-sized Chinese companies' market and promote their goods in international trade and is much smaller in size compared to large international retail platforms such as Alibaba and Jingdong. The study of Focus Technology's dividend distribution policy may help Chinese companies of the same type of size formulate their dividend distribution policy.

The company formulates the dividend distribution payment method based on its operating conditions, and Focus Technology has always had a good business record, in the five years from 2018 to 2022, Focus Technology has been distributing dividends in cash, and the specific distribution situation is shown in table 1. Focus Technology is the link from rapid development trends to smooth progress. More profit distribution and less retained earnings are the obvious characteristics of the company's dividend policy at this stage.

Table 1. Dividend distribution in the past 5 years

Time / Items	2018	2019	2020	2021	2022
Revenue (million CNY)	875	978	113	1454	1463
Net profit (million CNY)	88	151	173	245	300
Earnings per share (CNY)	0.18	0.48	0.57	0.80	0.98
Dividend per 10 shares (CNY)	5	7.5	5	8	9
Bonus shares	0	0	0	0	0

3.2. Focus Technology Dividend Distribution Policy

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4. Focus on Technology's Dividend Distribution Policy Evaluation

4.1. Lack of Stability in Dividend Distribution Policy

As can be seen from Table 1, from 2018 to 2022, Focus Technology's net profit and cash dividends show an overall growth trend. Generally speaking, the company's operating conditions are directly proportional to the total amount of dividend distribution. However, compared with foreign companies in the same industry, the dividend distribution rate of Focus Technology is still low and fluctuates greatly. In addition, Focus Technology has a single form of dividend distribution, paying cash dividends for five consecutive years.

Overall, there are some advantages and disadvantages of Focus Technology's dividend distribution policy from 2018 to 2022: shareholders can get a certain amount of cash return, especially in the year when the dividend payout amount is increased, which helps to attract investment.

However, relative to the company's operating income and net profit, the dividend payout ratio is low, which may not fully meet shareholders' expectations.

4.2. Inadequate Equity Governance Structure

Because of the immaturity of China's financial market and the unsoundness of Focus Technology's shareholding structure, the situation of "one-share dominance" usually occurs, which is likely to jeopardize the rights and interests of shareholders of small and medium-sized companies. Focus Technology's key shareholder, Shen Jinhua, owns 47.3% of the shares on a long-term basis, and no one can equalize it. Consequently, Focus Technology does not hold an excellent equilibrium construction in individual shares. There is too much interference in dividend distribution by the major shareholders, and the control of the company's shareholders in the management decision of dividend distribution should be avoided. The shareholders' meeting is slack at the level of formulating the dividend distribution plan. It usually makes rash decisions to change its distribution, causing ups and downs in the stock market and preventing it from implementing a distribution program that is instinctively reactively based in the foreseeable future. Along with the trend of the financial market, investors expect to have the same rights and wages, and the offering company must improve the company's shareholding structure.

5. Suggestions for Countermeasures

5.1. Optimization of Shareholding Structure

The company's dividend policy will be greatly influenced by the equity structure, especially in the case of over-concentration of equity, it is easy to form a dominant position and form their own views on dividend policy, thus harming the interests of small and medium-sized shareholders. Focus Technology's equity is too concentrated, the corporate governance system is flawed, and a large part of the control of dividend policy is in the hands of the company's largest shareholder. Therefore, this paper argues that Focus Technology needs to pay attention to the reasonableness of the shareholding structure, supervise the behavior of the major shareholders, and make the dividend distribution policy more transparent, such as playing the supervisory role of independent directors. The company should also improve management efficiency, establish a good incentive mechanism, stimulate the enthusiasm of employees, enhance the company's innovation ability so that the company can stand out in the competition, and then have a better performance to improve the dividend payout.

5.2. Diversification of Dividend Distribution Methods

Paying stock dividends can lower the price per share and attract more investors to buy the company's stock, as well as provide tax benefits to investors. However, the company does not have to pay cash to relieve the pressure. Focus Technology can try a variety of dividend distribution strategies, combining cash payments with stock dividends rather than just paying cash dividends to investors. Such multiple forms of dividend distribution can increase the importance of small and medium shareholders, protect their interests, and achieve a fair and equitable dividend distribution.

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