The Influence of Gree Electric's Large Cash Dividend on Performance

Zhichen Wang *

The High School Affiliated to Xi'an University of Architecture, Xi’an, China

* Corresponding Author Email: Wzc090531@outlook.com

Abstract. Given the current trends of increasing competition in the home appliance industry and the attention being focused on dividend distribution for listed companies, many top-tier enterprises, such as Gree Electric, have recently adopted a strategy of high-payout cash dividends, and therefore, the effects of such dividend policies on the enterprise's overall performance are worth exploring in detail. Based on the financial data of Gree Electric from 1996 to 2024, this paper will systematically study the impact of a large proportion of cash dividends on enterprise performance. Based on the above research results, high dividends have both positive and negative effects; on the one hand, they can promote profit stability, improve governance efficiency, enhance shareholder loyalty and boost market value; at the same time, they also have defects, such as reduced investment in research and development, constrained revenue growth, weakened short-term solvency, and potentially entered a state of poor long-term development. This paper will provide a practical reference for mature manufacturing enterprises in balancing dividend payouts and long-term development, as well as offering a reference for listed companies to establish reasonable dividend policies and achieve sustainable development.

Keywords: Gree Electric, large cash dividend, economic.

1. Introduction

The first purpose of corporate finance is to determine the allocation of profit resources and expand the national economy under the supervision of the company. Scholars have shown that the dividend policy of a company is one part of its financial management and thus affects both the procurement of funds for investment and the market's evaluation of the company [1]. It is a type of balance sheet composition in corporate finance; on the one hand, it refers to the collection of funds for the company's future development, and on the other hand, it reflects the present trust and expectations of shareholders in dividends. A small alteration will have a direct impact on the public's view and future development prospects of the company. As China's reform and opening up of the capital market advance, good-governance mechanisms have gradually been established, and transparency has been improving steadily. Dividend distribution by enterprises has gradually been given more attention by regulators, investors and scholars. It can be seen that this will be tested in the listed companies' governance, and at the same time, it also indicates that the market desires stable returns and holds high expectations for corporate value creation. Amidst the flow of funds, the dividend policies of these companies are also expressing a kind of trust among themselves and the shareholders by sending out particular signals [2]. Gree Electric Appliances has led the industry in the use of cash dividends. Gree has distributed 26 rounds of cash dividends since listing in 1996, and the total amount of these dividends is more than 136.3 billion yuan. It has a relatively high average dividend payout ratio of approximately 50 per cent and is thus considered to be a high-dividend model for this industry [3].

It has reduced the risk of market fluctuation to a certain extent. The first is to strengthen the construction of a value-oriented investment base by providing longer-lasting stable dividends and regular income for investors. At the same time, continuous cash dividends show that the company has a high commitment to distributing value for its shareholders and can do so based on good operating results; thus, it has further enhanced its good name and market position in the industry [4].

A high proportion of dividends is retained or paid out to shareholders, thus providing a positive signal to the capital market that the company has achieved strong operating results in the past; as a result, this improves information symmetry for investors [5]. Based on the review of previous research results, it can be seen that most studies by scholars have only explored one or two dimensions of corporate dividend policies, such as the reasons for dividends and factors affecting them, or the impact of dividends on certain individual financial indicators, such as return on net assets and operating income. There are not many starting points such as profitability, debt-paying ability, growth capability, and R&D innovation capability. An all-encompassing system of research needs to be developed to study how a relatively high-dividend payout ratio affects a company's short-term profitability and long-term value better. Based on the above, Gree Electric Appliances is selected as the research case, and the positive roles of high dividends in enhancing investor confidence and promoting good corporate governance and preventing excessive expansion are investigated in depth, as well as their possible restrictive effects on capital reserves and strategic transformation. This study will add to the academic research on the relationship between dividend policies and the operating performance of listed manufacturing companies, provide reference materials for other manufacturing enterprises in the home appliance industry and elsewhere on how to formulate dividend policies rationally, balance short-term returns for shareholders with long-term value creation, and thereby achieve sustainable, high-quality development.

2. Current Situation of Dividends in Gree Electric

The cash dividend policy of Gree Electric Appliances has always shown the three characteristics of a high proportion, high frequency and high stability in the A-share market and the home appliance industry, which have become the core labels for its investor return mechanism. Based on the specific data of dividends, the company has maintained a relatively high dividend payout ratio. In 2024, the company distributed a total of 16.755 billion yuan in cash dividends and had a dividend payout ratio of more than 52%, which was also higher than that of other listed companies. In 2025, it also announced a mid-term dividend plan, and the amount of a single dividend was 5.585 billion yuan. In addition, for many years running, the fixed dividend level per 10 shares has exceeded 10 yuan. The pace of dividend distribution is relatively even, and the strength of the distribution has not changed much. This fully shows the continuous and stable dividend policy. Through stable or relatively high dividend distribution behaviour, the company has given a positive signal of good past operating performance to the capital market and increased information transparency to enhance investor confidence [6]. Scholars believe that a higher proportion of major shareholders' holdings in a company is expected to promote dividend distribution by the company. Good financial health provides the support for Gree's stable high-dividend policy. The company's main profitability indices are still relatively high, and its gross profit margin is around 28%; it is one of the more profitable in the industry [7]. In addition, operating cash flow per share has been positive each year, so there is good operating liquidity and a strong payment capacity; thus, the company has maintained its high-dividend policy.

However, due to changes in the industry and operating conditions, the long-term stability of the high-dividend model is now in danger. In the first three quarters of 2025, the company's revenue dropped by 6.5% year-on-year, and overall profit growth slowed at the same time; the growth momentum of its main business also weakened. Due to a lack of diversification and increased competition in the industry, the foundation for corporate profits has been eroded. Given the demand for higher revenue and profitability, making large-scale distributions of dividends will further reduce the funds available for operating expenses, research and development, etc. Therefore, the sustainability and stability of future dividends have come to the fore of attention for the capital market and investors.

3. Double Effects of Large Cash Dividends on Performance

As shown in Table 1, the chart indicates that the dividend payout ratio of Gree Electric Appliances varied in the early years (1996-2005). In 1996, the first year after listing, the payout ratio reached 80.65%, but dividends were not distributed in the following year due to rapid expansion. From then until 2005, the payout ratio was around 40-63%, and in 2006, the dividend payout was zero due to a large amount of capital expenditures. Although the payout ratio has been volatile since 2008, the total cash dividend has shown an upward trend steadily due to improvements in both profitability and market position at the company. Scholars believe that cash dividends are about distributing existing value rather than creating new value, and thus older enterprises need to consider both the interests of shareholders and those of self-development [8].

Gree Electric Appliances has shown through its experience that a relatively low-dividend policy can be beneficial to both the company and its shareholders to some extent. Gree Electric Appliances is financially stable; it has a good capital structure, good earnings, and a large amount of free cash flow. The company has a relatively low debt ratio and a large cash reserve to support the high-dividend-payout policy in the short run. Therefore, the company can face external risks better and will boost investor confidence in its capital at home and abroad [8]. Gree Electric Appliances has also been distributing dividends through a combination of cash dividends, stock bonuses and rights issues. The company conducted multiple stock splits in 1999, 2005, 2007, 2008, and 2014, and in 2009 proposed to issue five bonus shares for every ten shares held in conjunction with a cash dividend of RMB 5 per share.

The above all help to increase the company's equity base, enhance its listing prospects in the capital market, optimise the capital structure, and balance corporate expansion with shareholder returns. Gree has been regularly increasing and paying out dividends since 2010. From 2011 to 2024, the company has paid cash dividends almost every year and kept both the total amount of dividends and the payout ratio relatively high. For example, in 2012, a cash dividend of RMB 10 per 10 shares was distributed; the payout ratio was 40.76%; by 2020, it had reached RMB 30 per 10 shares, and the payout ratio was 78.91%. The high-cash-dividend policy has been maintained over a long period due to the strong profitability and stable financial conditions of Gree.

In 2024, taking the lead in terms of market changes, Gree Electric Appliances used the momentum of new national regulations to introduce a semi-annual dividend distribution model for the first time in the industry. This new measure has provided an additional boost to investors' returns more rapidly. In addition to an increase in dividends, the company also launched a large-scale share repurchase plan and made an investment of more than 5 billion yuan in this way to boost investor confidence in capital markets and thus offer some support to investors. Thus, Gree has been responsive to policy changes and has been in a good state of adaptation. It presents the strong will and determination of an established enterprise in the new era, setting an example for others on how to be responsible and return on investment [9]. Gree Electric Appliances' dividend distribution from 2009 to 2024 shows that the company has paid out 16 large cash dividends in the past 16 years, and in 2020, there was an exceptional dividend distribution where the cash dividend per share exceeded the actual earnings per share [10]. Although the high-dividend-payment style may increase investor confidence for a time, if done repeatedly, it may reduce the funds a company has for investment and hinder the progress of its long-term development plans; thus, financial risks will increase.

Table 1. Dividend information of Gree Electric from 1996 to 2024

Year	Dividend situation	Net profit (100 million yuan)	Total dividends (100 million yuan))	Dividend payment rate (%)	Cash dividend per share (yuan)	Earnings per share (yuan)
1996	10 shares sent 10 yuan.	1.86	1.50	80.65	1.00	0.46
1997	-	1.98				0.34
1998	10 shares sent 4 yuan.	2.12	1.30	61.32	0.40	0.66
1999	Transfer 10 shares to 5 shares to send 4 yuan.	2.29	1.30	56.77	0.40	0.70
2000	10 shares sent 3 yuan.	2.55	1.43	56.08	0.40	0.76
2001	10 shares sent 3.2 yuan.	2.73	1.65	60.44	0.30	0.51
2002	10 shares sent 3.3 yuan.	2.97	1.72	57.91	0.32	0.55
2003	10 shares sent 3.3 yuan.	3.37	1.77	52.52	0.32	0.63
2004	10 shares sent 3.8 yuan.	4.21	2.04	48.46	0.38	0.78
2005	Transfer 10 shares to 5 shares to send 4 yuan.	5.10	2.15	42.16	0.40	0.95
2006	-	6.92				0.86
2007	Transfer 10 shares to 5 shares to send 3 yuan.	12.70	2.50	19.69	0.30	1.58
2008	Transfer 10 shares to 5 shares to send 3 yuan.	19.67	3.76	19.12	0.30	1.57
2009	Transfer 10 shares to 5 shares to send 5 yuan.	29.13	9.39	32.23	0.50	1.55
2010	10 shares sent 3 yuan.	42.76	8.45	19.76	0.30	1.52
2011	10 shares sent 5 yuan.	52.37	14.05	26.83	0.50	1.86
2012	10 shares sent 10 yuan.	73.80	30.08	40.76	1.00	2.47
2013	10 shares sent 15 yuan	108.71	45.12	41.50	1.50	3.61
2014	10 shares transferred to 10 shares sent to 30 yuan.	141.55	90.24	63.75	3.00	4.71
2015	10 shares sent 15 yuan	125.32	90.24	72.01	1.50	2.08
2016	10 shares sent 18 yuan	154.21	108.28	70.22	1.80	2.56
2017	-	224.02				3.65
2018	10 shares sent 15 yuan	262.04	90.23	34.43	1.50	4.36
2019	10 shares sent 12 yuan	246.98	72.19	29.23	1.20	4.11
2020	10 shares sent 30 yuan	221.76	174.99	78.91	3.00	3.71
2021	10 shares sent 20 yuan	240.65	110.73	46.01	2.00	4.04
2022	10 shares sent 10 yuan	230.11	112.28	48.79	1.00	4.43
2023	23.8 yuan for 10 shares	277.19	131.42	47.41	2.38	5.22
2024	10 shares sent 20 yuan	323.11	111.70	34.57	2.00	5.83

3.1. Positive Impact

Improving Profitability and Market Awareness. Dividend distribution enhances return on equity (ROE), and in 2024, Gree's ROE of 23.42% was higher than that of the industry. Stable dividend distribution attracts long-term investors, so the stock has a relatively high dividend yield of over 7 per cent and is relatively liquid. At the same time, a high dividend will help build a good brand and improve the leading position of the company in the industry.

Reduce Agency Costs and Optimise Governance Structure. A relatively high dividend payout reduces the idle funds at the company, avoids reckless expansion and inefficient investments, and thus concentrates resources on core air conditioning businesses. Increase the distribution of dividends to regularise fund utilisation, improve operating efficiency, reach a net sales profit margin of 15.73% in Q3 2025, and remain the top company in the industry.

Stabilizing the Equity Structure and Boost Shareholder Loyalty. A higher proportion of the payout to shareholders is in the form of income; thus, the risk of collateralizing or transferring shares is relatively low, and stable governance can be maintained. Strengthening shareholders' willingness to support the company's plans in the long run and reducing their demand for immediate returns.

3.2. Negative Impact

Excessive R&D Investment reduces Growth Momentum. With the rapid development of technology in recent years, a relatively large amount has been invested in R&D. Gree's high-dividend payout has resulted in a capital outflow and thus a low R&D expenditure ratio of 3%-5%, lower than that of Midea and Haier. Late-stage expansion into new business areas, such as new energy and smart homes, has reduced the growth rate of revenue by 2025 and failed to generate sufficient growth momentum.

Lower Financial Flexibility increases Debt Repayment Pressure. Persistent high dividends have reduced cash reserves, and as of Q3 2025, the current ratio and quick ratio were 1.08 and 0.74, respectively; thus, short-term debt repayment ability is weak. A small financial cushion will be less able to deal with changes in the market and other risks; if one's income falls, they may face a cash flow problem.

Too much focus on dividend payments at the expense of long-term value. Too much focus on short-term dividends may lead to a lack of long-term investment in R&D and expansion of production facilities. Although the minority shareholders are paid out in cash dividends promptly, their outlook for capital gains is relatively limited; thus, the long-term return declines, and a "dividend dependence syndrome" arises.

4. Suggestions

To balance investors' expectations for reasonable returns with the company's long-term development potential, and achieve an organic integration of dividend stability, growth prospects and financial safety, continuous strengthening and optimisation in core sectors such as new energy and high-end equipment have been carried out; based on these operational realities, this document proposes a system of implementation recommendations in four dimensions: dividend mechanism, resource allocation, capital management and market communication. The above recommendations will help distribute dividends in accordance with the company's strategy and other interests.

Constructing a high-efficiency, flexible elastic dividend-distribution system and form a stable income base. Do not set a fixed range for the dividend ratio; instead, use an elastic function that changes according to the economy and is also limited by other strategic investments. In times of economic expansion and stable profit growth, the dividend ratio may be raised closer to the upper limit of the range; at the same time, during periods of industrial restructuring, technological innovation or new business development, it is often lowered to the lower limit to retain funds for strategic investment and operation. A flexible mechanism is employed to reduce the proportion of dividends taken out by shareholders and, at the same time, to address the interests of shareholders without compromising the growth of the enterprise.

Second, strengthening the support for R&D investment and reducing dividend distributions to provide continuous funds for new-product development. Research and Development innovations provide support for the continuous improvement of a company's financial health and dividends. Increase investment in breaking-through key technologies, new-product development and production-capacity expansion to overcome technical bottlenecks, build a competitive advantage and improve profitability. By establishing a virtuous circle of "stable R&D investment growth rightarrow enhanced quality of operating performance rightarrow continuous dividend-paying capacity", balance short-term dividend returns with long-term growth value and avoid the risk of short-sightedness in favour of immediate dividends.

Third, strengthening the overall efficiency of fund utilisation and improving the foundation for financial stability. Strengthen cash flow management, coordinate funds and reserves, and optimise their use to increase capital recovery. Improve control over operating cash flow by speeding up the collection of accounts receivable and strictly managing costs and expenses to ensure a sufficient and stable cash reserve; at the same time, set aside a reasonable contingency reserve for risks in the industry and market fluctuations, optimise the debt structure, reduce financing costs, and steadily increase the debt-to-asset ratio, current ratio, and other debt-repayment indicators to strengthen financial security. Good fund management will ensure a continuous supply of funds for dividends and support R&D and new-area development, thereby promoting the long-term stability and enhanced risk-bearing capacity of the enterprise.

Fourth, enhancing the release of information and investor communication to boost investor awareness. Proactively inform the market of the company's core philosophy of "synergistic progress in dividends and growth", and regularly disclose important information such as dividend policies, R&D investment, fund use, and strategic initiatives in a transparent, timely and accurate manner. To address the concerns of investors about the "excessive focus on dividends at the expense of growth" and "fund utilisation efficiency" through earnings briefings and investor interaction platforms, the company should provide a detailed explanation of its flexible dividend mechanism, R&D investment plan and financial control measures, and clearly present the strategic aim of "safeguarding dividends through growth and boosting confidence through dividends".

In short, through the above four-in-one measures, people will offer reasonable returns to investors, provide stable funds for R&D investment, improve capital utilisation efficiency, and boost market confidence; thus, continuous technological innovation and industrial upgrading will be supported. It will allow the company to achieve sustained growth in the face of fierce competition, realise deep integration of short-term profits and long-term value creation, and align shareholder interests with the development of the company.

5. Conclusion

Gree Electric Appliances' substantial cash dividends are shown in this study to have two sides: first, in the short run, they improve profitability and corporate governance, and stabilise the market; second, over the long term, these diverted funds hinder innovation and expansion, thus reducing growth opportunities. With increasing competition and structural adjustment in recent years, the former model of high dividends is no longer feasible. In the future, the top home appliance enterprises will move away from the strict high-dividend model, increase their financial flexibility for strategic adjustments, drive growth of core business through continuous innovation, and promote high-quality development of the enterprise.

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