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Dividend Versus Capital Gain and Investor Preference:A Case Study on Dhaka Stock Exchange

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Abstract
This paper explores investors' preference for capital gain and dividend payment. The questionnaire results show that overall, investors prefer capital gain over cash dividend. The results from the regression also demonstrate that all demographic variables and investor characteristic, specifically education level, age, investment amount and investment income, are positively related to an investors tendency to prefer dividend payment, with investment income and age having the strongest impact. The results from this test reconfirm that investors with larger sums tend to be more risk averse. Moreover, the results from the primary data also reveal that investor preferences are compatible and consistent with traditional theories including the Birds-in-the-Hand Theory, Information Signaling Theory, Tax Preference Theory and Clientele Effect Theory.
Keywords: dividend payment, capital gain, demographic characteristics, Information Signaling Theory,

1. Introduction

Research on investor behavior typically rely on the following underlying assumptions: (i) investors are rational; (ii) investors are risk averse and (iii) investors tend to maximize wealth. Therefore, in light of the theory of economic utility, an investor will select a portfolio that maximizes return while minimizing risk. In an investor's pursuit of a tradeoff between risk and return, s/he has to make investment decisions, which are influenced by numerous factors, including the company's dividend policy.

Beginning in the 1970s through the Wharton Study, development in behavioral finance, a relatively new financial subdiscipline, has been important in explaining the behavioral aspects that influence an investor's investment decision. Ritter (2003) explains that behavioral finance is based on psychology which suggests that human decision processes are subject to several cognitive illusions and it tries to understand how emotions and cognitive errors influence behavior of individual investors. Early studies by Baker and Haslem (1974) find that dividends and expected return are the key driving factors in an investor's decision to invest in a stock. Further studies on demographic factors that influence investment decision found that age and income are important in such decisions. Cohn et al. (1975), Lewellen, Lease and Schlarbaum, (1977) and Riley and Chow (1992) further provide evidence that risk aversion decreases with increasing wealth, age and education. Other studies reveal that people at a certain age are less subject to psychological biases as they become more experienced while elder investors (but not necessarily more experienced) who are relatively less knowledgeable and have lower incomes are subject to behavioral biases (Rekik and Boujelbene, 2013). Overall, a company's dividend policy and the demographic profile of investors play key roles in determining investment decisions.

In the most recent market crash in Dhaka Stock Exchange, the index fell from a peak of almost 9,000 to 3,500 within a span of a year. A major reason for this drastic rise and subsequent fall has been the irrational exuberance of investors who seek short term profits by attempting to 'time' the market. During the raging bull market, fundamentals of the companies did not justify the high valuation ratios they were trading at at that point. However, the prices kept escalating despite the disconnect between the fundamentals and market price. It was only a matter of time before this gap narrowed.

Even several years after the market crash, we still see this kind of behavior in the market. Short bouts of heightened market activity and 'bull runs' are still common and the market resumes its lackluster trading activity after the 'runs' are over. This implies that market participants are active during these short periods because they seek the opportunity to book short term profits and leave the market when such opportunities subside. Therefore, investors who exhibit this kind of behavior are short term oriented market-timers. It is generally believed that investors with a short-term profit motive make investment decisions based on emotions and those that do not reflect the value of the firm.

This study examines whether a company's dividend policy affects an investor's preference of the company. By identifying whether dividend seekers or capital gain-focused investors dominate; the study seeks to explain the instability in stock prices in Dhaka Stock Exchange. The results shed light on and gives insights into the kind of investors exists and what factors they analyze before deciding to invest in any company.

To empirically answer our research question, we employ analyses using data derived using convenience sampling through questionnaires from investors. The results show that on average, more investors prefer capital

gain to dividend, a scenario contrary to those found in extant literature. We further run a regression to analyze the impact of demographic variables on an investor's preference for dividend. The results show that with increasing education level, age, investment income and total investment amount, an investor's preference for dividend increases.

Our paper contributes to the literature in several ways. First, it extends the growing literature on investor's preference for dividends or capital gains. Second, we add new evidence about the demographic characteristics of investors who prefer dividends over capital gains or vice versa. And third, we confirm that the four major theories relating to dividend preference are consistent among investors in Bangladesh.

The rest of the paper is organized as follows. The next section surveys prior studies conducted on this topic and discusses the results. Section 3 covers the methodology and study design. Section 4 discusses the results and findings and how consistent they are with conventional theories. Section 5 concludes.

2. Literature Review

The impact of dividend policy on the gains achieved by investors is an important topic to investors and company management alike. This topic has been studied by researchers for years without much conclusive evidence to suggest whether dividend policy does in fact affect investor's decision and to what extent, and consequently, the share price. As a result, it is often difficult for the management of a firm to ascertain what decision will result in higher stock prices, something to which their compensation is tied. As a whole, a wide range of literature suggests different theories on the effect of dividend on investor's preference, some of which are covered in the section below.

One of the earliest papers studying dividend policy was by Lintner (1956) who, after interviewing managers of 600 listed companies, found that senior managers overwhelmingly formulate decisions on dividend policy based on firm size, earnings stability, ownership by control groups, plant and equipment expenditure, and willingness to avail external financing. Based on his findings, Lintner (1956) further developed a model to explain the relationship between the dividend paid in the last period, current period and future period.

Researchers have often argued that a company's decisions on how to redistribute earnings are key indicators because they act as signaling effect of the firm's performance. Studies by Aharony and Swarmy (1980), Asquith and Mullins (1986), Handjinicolaou and Kalay (1984), and Vermaelen (1981) show that both dividends and stock repurchases are equally capable of signaling to investors. It was shown that whenever a firm announces dividend payout increases or stock repurchases, the stock price increases. In particular, Aharony and Swary (1980), Vermaelen (1981) and Jensen and Smith (1985) show that on average, stock repurchases announcements result in an overall higher gain in stock price resulting in a price premium offered by the firm on their share prices. Vermaelen (1981) also demonstrates that the resultant stock price increase is only transitory as the price falls after the share purchase. However, the price fall is lower than the initial price increase, suggesting that the resultant price change of the announcement is positive. He also shows that share repurchasing does not convey the same information as a decrease or increase in dividend payout. In more recent studies, dividends are shown as the most efficient signal in studies by Ambarish, John and Williams (1987). Conversely, Ofer and Thakor (1987) find that share repurchases generally have greater information content relative to cash dividend.

Bhattacharya (1979) finds that when cash dividends are taxed at a higher rate than capital gains, dividends act as a signal of expected cash flows. The top management is expected to have better knowledge of a firm's future earnings prospect and therefore they can use dividends as signaling mechanisms and influence their expectations. Similar results were found by Miller and Rock (1985), Griffin (1976), and John and Williams (1985). Black (1976) also argues that part from signaling effects, companies pay dividend as a reward to existing shareholders, who in turn believe that a dividend paying company is a worthwhile investment, even if the shares are selling at a premium.

Opposing conclusions are found in the studies by Easterbrook (1984),DeAngelo, DeAngelo and Skinner (1996) and Fama (1974). Fama (1974) found that investment decisions and dividend decisions are not correlated and have no impact on each other and therefore, dividend announcements act as poor signaling mechanisms. In a different study on 145 NYSE listed firms with declining earnings, DeAngelo, DeAngelo and Skinner (1996) conclude that no empirical support can be found to notion that dividend decision can help identify firms with higher earnings potential. They find that the majority of managers increase the dividend payment the first year of the earnings decline. Moreover, they suggest that dividends are not reliable signals of turnarounds because managers tend to overstate estimations of future growth and often do not increase the dividends enough to efficiently signal to investors. Easterbrook (1984) further suggests that dividend helps to keep the firms listed on markets, and this is a relatively cheap and effective way to monitor managers and their propensity to take risks and therefore helps serve as mechanisms to reduce agency conflict. In prior studies (see Jensen and Ruback, 1983), it was found that when managers are not monitored effectively, they tend to pursue personal goals, which in most cases involve increasing their compensation, instead of maximizing returns to shareholders. Therefore, the board of directors often proposes dividends and this may also explain why investors prefer shares which pay

dividends, in that it often indicates a well-managed firm.

The impact of dividend on firm value was also studied. Modigliani and Miller (1958, 1963) argue that the firm value does not depend on the dividend policy if firms properly invest the sum in maximizing shareholder value. Moreover, they showed that in a perfect marketplace, investors are indifferent to share repurchase or dividend payments. This is because if an investor is not satisfied with the company, s/he can convert the shares to cash by selling them. And since the dividend payment is replicated by selling shares, the company's dividend policy will not affect investor's decision to buy or sell the shares. Extending this view, one could also argue that paying dividends lowers the value of the firm since dividends are taxed. By not paying dividend, the company can divert the fund to more productive areas which can ultimately increase shareholder wealth. If capital gains are taxed at a lower rate, then this decision should be welcomed by investors. Similarly, Handjinicolaou and Kalay (1984) find that after dividend announcements, the price of shares increase and the main beneficiaries of this are the shareholders.

However, the company's decision to pay dividends may increase the firm value too. There are many investors who would prefer a safe return on their investment. Likewise, often money managers are required to hold a certain position in "safe" stocks. Therefore, some companies like top pay dividends to maintain an image of a safe company. This also allows the shares of these firms to sell at a premium because to some investors the gain obtained from buying the shares offsets the loss from paying a premium.

Similar results were found by Fama and French (1998) who found that firm value is positively related to both dividend and debt because these are capable of conveying information about the company's expected cash flow. They also argue that this information offsets the negative impact of taxes.

La Porta, Lopez-De-Silanes, Shleiffer and Vishny (2000) test on a cross section of 4,000 firms in 33 countries across the world and find that countries with stronger legal protection of minority shareholder rights are associated with higher dividend payout because minority shareholders pressure corporate insiders to pay dividends. Moreover, they find that fast growth companies typically pay lower dividend than high growth companies, indicating that investors are willing to wait for good dividends. However, they do not find conclusive evidence to suggest that taxes have any effect on dividend policy. The issue of taxes having an effect on the company's decision on paying dividends was studied before with most of the studies being based on single-period models of signaling with preferential tax on capital gain. Differential tax treatments were shown to alter an investor's preference of dividend because this will ultimately affect the after-tax return (Deeptee and Roshan, 2009). This was an area of criticism to which Brennan and Thakor (1990) responded by providing evidence that despite the lower tax rates for capital gains, investors prefer dividend payments when the payments are small. However, when payments tend to larger in amount, the preference of the majority of investors shift to stock repurchases from the open market. Miller Modigliani's dividend irrelevance theory also initially depended on a tax-free structure. This was extended by LeRoy (2007) who concluded that the theory applies even in the presence of taxes when dividend tax rates and capital gains are equal. Moreover, when capital gains tax is lower than tax on dividend, share repurchases have the same effect as allocating funds for new investments.

Marsh and Merton (1987) and Brav, Graham, Harvey and Michaely (2004) further explained that managers tend to make dividend policy decisions that are unlikely to be reversed in the future. They also found that the present year's dividend payout will not be based on the present year's earnings; however, it can impact next year's earnings. Building on this, the authors further note that managers emphasize more on the change in dividend instead of the change in absolute dividend. Deeptee and Roshan (2009) also mention that firms must a pay high enough dividend to avoid smaller firms from being able to replicate the strategy. This would also ensure that the larger firms have a higher stock price. However, extending the argument of Marsh and Merton (1987), having a higher dividend rate also means that if the company for any reason decides to lower the dividend rate, will likely suffer from a share price drop.

3. Methodology

This paper is divided into two parts. The first part consists of the qualitative section where preferences and perceptions of investors toward dividend and capital gain are addressed based on age, income, gender, investment amount etc. The second section is the quantitative part where dividend and capital gain clienteles are tested by correlation and regression analysis.

3.1 Data Collection Method

Data is collected using convenience sampling method from retail investors. Institutional investors are excluded from this survey. The main reason for this exclusion of institutional investors is the probability of non-representative reflection of investor's preference. If institutional investors like investment funds, mutual funds act as replacements of their clients, their portfolio decisions may reflect the preferences of their clients because the income flows directly to the beneficiary owners. This study therefore includes only those investors who are directly invested in the market.

3.2 Questionnaire

The questionnaire is developed considering different demographic variables including numerical data. Effort is made to avoid possible related surveys problems. For example, several questions were asked for each of the theories in order to clarify each question to the respondent. The main intention was to ascertain the belief of investors in their own decisions.

3.3 Sampling Design

The questionnaire is divided into different segments, where the first part includes personal data, second part includes investment preference and last part represents the reasons for their preference of capital gain or dividend. The opinion of the investors is taken on five different levels of acceptance. In total 120 respondents completed the questionnaire. Appendix 1 shows the summary demographic and other statistics of the survey respondents.

3.4 Statistical Analysis

Survey questions responses are both presented for the whole sample according to demographic statistics, i.e., age, income, gender, preference category, dividend choice, educational level, and investment amount. All of the questions are asked on a 5 point Likert scale from 1 to 5, where 3 is the neutral score.

Initially, the correlation matrix and regression models assess the existence of dividend clienteles in the Dhaka Stock Exchange by making a relationship model between dividend or capital gain preference and the different demographic and other characteristics of investors in the Dhaka Stock Exchange. These characteristics include age, income, gender, preference category, dividend choice, educational level, and investment amount.

In the second part of the analysis, the frequencies and responder's percentages are found which was used to examine whether the responses from different demographic groups are significantly different.

3.4.1 The Dependent Variable

The dependent variable in this model is the dividend and capital gain preference category (PRE) which is measured using a scale from 1 to 5, where 1=high priority to capital gain, 2=moderate priority to capital gain, 3=indifferent, 4=moderate priority to dividend income and 5=high priority to dividend income.

3.4.2 The Independent Variables

The independent variables are age (AGE), income (INC), gender (GEN), educational level (EDU), and investment amount (INV), which represent the demographic and other characteristics of investors. Education level is measured using a scale from 1 to 5 in where 1= below SSC (Secondary School Certificate or middle school), 2= SSC graduate, 3= HSC (Higher Secondary School Certificate or high school) graduate, 4= University graduate and 5 = Post graduate. Gender is measured using a nominal coding where 1= male and 2= female. Age is measured using a scale from 1 to 3 in where 1= below 30, 2 = 30-45, and 3= above 45 years old. Monthly income (including income from capital market) is measured using a scale from 1 to 3 in where 1=up to 30,000 BDT, 2= up to 40,000 BDT and 3= above 40,000 BDT. Investment amount of an investor is measured using a scale from 1 to 3 in where 1=up to 150,000 BDT, 2=up to 500,000 BDT and 3=above 500,000 BDT.

4. Findings and Results

4.1 Descriptive Statistics and Correlation Analysis

Appendix 1 presents the distribution of the variables including those of our variables. Due to the sensitive nature of the survey, 120 responded with all details, all of which was used in this test. The majority of the respondents were male (96.67%) with a minimum Bachelor's degree between the ages of 30-45. Most had monthly investment income within the range of 20,000 and 40,000 BDT, while the total invested amount for the majority of the respondents were between 150,000 and 400,000 BDT. Consequently, the details of the descriptive statistics also reveal that our sample size consisted mostly of retail investors, the majority of whom preferred dividend over capital gain.

Table 1.Correlations Matrix

		EDU	GEN	AGE	INC	INV	PRE
EDU	**Pearson Correlation**	1	.169	-.389**	-.123	.030	-.021
	Sig. (2-tailed)		.064	.000	.182	.746	.824
	N	120	120	120	120	120	120
GEN	**Pearson Correlation**	.169	1	-.154	-.190*	-.195*	.062
	Sig. (2-tailed)	.064		0.92	.037	.033	.501
	N	120	120	120	120	120	120
AGE	**Pearson Correlation**	-.389*	-.154	1	.298**	.308**	.259**
	Sig. (2-tailed)	.000	.092		.001	.001	.004
	N	120	120	120	120	120	120
INC	**Pearson Correlation**	-.123	-.190*	.298**	1	.603**	.257**
	Sig. (2-tailed)	.182	.037	.001		.000	.005
	N	120	120	120	120	120	120
INV	**Pearson Correlation**	.030	-.195*	.308**	.603**	1	.201*
	Sig. (2-tailed)	.746	.033	.001	.000		.028
	N	120	120	120	120	120	120
PRE	**Pearson Correlation**	-.021	.062	.259**	.257**	.201*	1
	Sig. (2-tailed)	.824	.501	.004	.005	.028	
	N	120	120	120	120	120	120

*** indicates significance at 0.01 level, ** indicates significance at 0.05 level and * indicates significance at 0.10 level

The table above presents the result of the Pearson correlation coefficients among the variables. As expected, the invested amount and the tendency to prefer dividend increases with income. The tendency to prefer dividend also increases with an increase in invested amount. The coefficient between investment amount and income is the highest and it appears that the positive relationship with invested amount drives the relationship with income. The relationship between income and dividend preference is also seen to be stronger than the relationship between investment amount and dividend preference. One somewhat surprising result was the negative correlation between education level and dividend preference, which indicated that the higher level of education an investor has, the lower will be the tendency to prefer dividend over capital gain. This was however, confirmed by Shefrin and Statman (1984) that to educated young professionals, generating capital gains was more important than dividend income.

4.2 Regression Analysis

To further explore the empirical relationship between demographic characteristics and preference category and to estimate the relative strength of these characteristics, we run a regression using the following model:

$$PRE = \beta_0 + EDUx_1 + GENx_2 + AGEx_3 + INCx_4 + INVx_5 + \varepsilon_i \qquad \text{(i)}$$

Table 2.Investor Preference and Demographic Characteristics

Model	Unstandardized Coefficients		Standardized Coefficients	T
	B	Std. Error	Beta	
(Constant)	.282	.351		.802
EDU	.025	.040	.062*	.630
GEN	.356	.239	.135*	1.486
AGE	.157	.070	.231	2.262
INC	.138	.086	.180**	1.606
INV	.035	.077	.053**	.461

a. Dependent Variable: Preference Category
b. *** indicates significance at 0.01 level, ** indicates significance at 0.05 level and * indicates significance at 0.10 level

The table above represents the results from the regression of demographic variables on preference

category. We investigate whether investor's preference of dividend or capital gain is systematically related with education level, gender, age, total income, and investment amount. All coefficients are positive, indicating that all variables positively affect the preference category.

Education level (EDU): We find that the higher the education level of an investor, the higher is the investor's preference for dividend, holding all else constant. This is demonstrated by a positive and statistically significant coefficient (0.062, t-statistic = 0.630).

Age (AGE): This variable also has a positive relation with investor preference, meaning the higher the age, the higher the investor preference for dividend. This is not a surprise since the older a person gets, the more risk averse s/he is likely to be, therefore the reliance on a safe regular income is expected.

Total Income (INC): Total investment income has a positive relation with investor preference for dividend as demonstrated by the positive and significant coefficient (0.180, t-statistic = 1.606), implying that the higher the income, the more risk averse the investor is which explains the preference for dividend for investors at the higher end of the income group.

Investment Amount (INV): We find a positive and significant relationship between total investment amount and tendency to prefer dividend over capital gain (0.053, t-statistic = 0.461). This implies that the higher the investment income, the higher is the preference for dividend income. This result seems to be related to the correlation between income and preference category, as conventionally, the higher the investment income, the higher the investment income.

Overall, we find that while all the variables have a positive impact on preference category (the tendency for investors to choose dividend over capital gain), age (AGE) has the highest impact, followed by investment income (INC), gender (GEN), education (EDU) and finally, investment amount (INV). However, we cannot completely infer our results to mean that these variables positively affect an investor's tendency to be risk averse because we do not differentiate between long-term and short-term capital gain. It is possible that the investor prefers long-term capital gain (as opposed to short-term capital gain) over dividend, in which case it does not necessarily indicate a risk-seeking or greedy.

The table below represents the results of the regression model summary.

Table 3.Model Summary

Model	R	R- Squared	Adjusted R-Squared	Std. Error of Estimate
1	.349[a]	.122	.084	.453

a. Predictors: (Constant), Investment Amount, Education Level, Gender, Age, Total Income

The value of R^2 is 0.122, indicating that 12.20% of the variations in the preference of an investor can be explained by the changes in the independent variables included in the analysis. Since the inherent characteristic of the model is its ability to predict human behavior, even a relatively low R-squared does not necessarily indicate the model is a poor fit.

4.3 Hypothesis Testing

Now, to further explore whether the coefficients of the regression are different and whether the difference is statistically significant, we run the f-test. For significance testing of multiple regression models, the hypothesis has been taken as follows:

H_0: $ß_1 = ß_2 = ß_3 = ß_4 = ß_5 = 0$

H_1: $ß_1 \neq ß_2 \neq ß_3 \neq ß_4 \neq ß_5 \neq 0$

Table 4.F-Distribution Test

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.255	5	.651	3.170	.010[b]
Residual	23.412	114	.205		
Total	26.667	119			

a. Dependent Variable: Preference Category

b. Predictors: (Constant), Investment Amount, Education Level, Gender, Age, Total Income

The critical value of "F" is found in the table of "F" distribution table for 0.05 significance levels and isbetween 2.29 and 2.37 while the calculated value of "F" is 3.170. So the critical value of "F" <calculated value of "F". As a result, the decision rule here is that the null hypothesis (H_0) is rejected. So at we can conclude that that there is a significant relationship among the independent variables.

4.4Consistency with Relevant Theories

The first theory tested is the Birds-in-the-hand Theory. This theory is tested using the question DQ4, and the responses imply that investors get a certain profit if they retain the stock instead of selling. While investors can make a profit if they decide to sell their shares, they also run the risk of a potential loss. However, dividend payment is a certain profit, regardless of the payout ratio. Even if the dividend is zero (0), it is still better than a

loss. Here, out of the 33.3% respondents, 18.33% strongly agreed that dividend payment is certain profit. In case of dividend preference, 7.5% people prefer cash dividend and 25.8% people prefer stock dividend.

Information Signaling Theory suggests that company announcements of an increase in dividend payouts act as an indicator of the firm possessing strong future prospects. This theory is tested using the question DQ5, and the responses imply that when a company's dividend payout ratio increases, it signals a high return potential.

Tax preference theory claims that investors prefer lower payout companies for tax reasons. This theory is tested with the questions GQ5 and GQ6. The responses imply that capital gain has a tax rebate facility where dividend is fully taxed. Here 30.8% and 20.8% people of GQ5 and GQ6 respectively strongly agree with this.

The Clientele Effect Theory assumes that investors are attracted to different company policies, and that when a company's policy changes, investors will adjust their stock holdings accordingly. If a company pays higher dividend, investors will retain this stock. On the other hand if the dividend is lower, investors will sell out the share and buy a higher paying stock. This question is tested through questions DQ8 and DQ9. The statistics shows that 17.5% people strongly agree with DQ1, 10% people agree with this, 4.2% people are neutral, 0.8% people disagreeand 0.8% people strongly disagree with DQ8. On the other hand, 8.3% people strongly agree with DQ9, 20% people agree, 3.3% people are neutral and 1.7% people disagree with theory.

Table 5.Summary of Study Result

Question	Theory/Notion	Result	Result Consistency with Theory
DQ4	Birds-in-the-Hand Theory	Investors get a certain profit if they retain stock instead of selling	Consistent
DQ5	Information Signaling Theory	When company's Dividend Payout Ratio increases, it signals a high return	Consistent
GQ5, GQ6	Tax Preference Theory	Capital gain has tax rebate facility while dividend is fully taxed	Consistent
DQ8, DQ9	Clientele Effect Theory	Investors are attracted to different company policies will adjust their stock holdings when company policies change	Consistent

5. Conclusion

In this paper, we examine investor's preference of capital gain or dividend payment. The results show that overall, the majority of investors prefer capital gain over cash dividend receipt. The primary reason is the short-term orientation of investors who are more inclined to receive profit immediately rather than wait for periodic dividends. The results from the regression demonstrate that all demographic variables and investor characteristic, specifically education level, age, investment amount and income are all positively related to an investors preference for dividend payment. OF particular interest in our findings is the high impact of age on preference category, and the low impact of investment amount simultaneously with the high impact of investment income. So while the tendency to choose dividend is affected by investment amount, it has a higher sensitivity to investment income. We also investigate the relation between preference category and different demographic characteristics. We find a positive and significant relation between age, gender, education level, income and investment amount with preference category, with all these variables posititvely affecting an investors tendency to pick dividend paying stocks over stocks with the prospects of greater capital gain. The results from this test reconfirm that investors who are wealthier tend to be less risk averse. Overall, the results from the questionnaires reveal that investor's preferences are compatible and consistent with the theories employed in this paper (Birds-in-the-Hand Theory, Information Signaling Theory, Tax Preference Theory and Clientele Effect Theory).

Finding evidence for the relationship between demographic characteristics and preference category as important implications for corporate policies. Our results suggest that if companies want to attract risk averse investors, they would do better by introducing dividend payment or paying more dividend per share. Alternatively, companies may now be hesitant to change their dividend policy given that a change in the policy may change their investor base leading to a change in their stock price. Therefore, companies would do better by either increasing or maintaining their dividend rates instead of curtailing it.

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Appendix

The questionnaire based on the theories discussed earlier was presented to investors.

Appendix 1: Summary Demographic Statistics

Summary Demographic Statistics of Survey Respondents		
Investor Responses	120	
Investors who:	**Number**	**Percentage of Total**
Maximum Education Level below SSC	7	5.83%
Appeared in SSC	12	10.00%
Appeared in HSC	27	22.50%
Maximum Education Level: Graduation	39	32.50%
Maximum Education Level: Post-Graduation	35	29.17%
Male	116	96.67%
Female	4	3.33%
Age Below 30	41	34.17%
Age Between 30-45	59	49.17%
Age Above 45	20	16.67%
Monthly Earnings up to BDT 20,000	53	44.17%
Monthly Earnings up to BDT 40,000	58	48.33%
Monthly Earnings Above BDT 40,000	9	7.50%
Invested up to BDT 150,000	19	15.83%
Invested up to BDT 500,000	53	44.17%
Invested Above BDT 500,000	48	40.00%
Prefer Dividend	40	33.33%
Prefer Capital Gain	80	66.67%