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Behavioral Analysis of Investors' Attitude towards Dividend Declaration in Developing Country–A Case of Bangladesh

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Abstract

Dividend paying on share is one of the most significant topics of behavioral finance and Capital Market literature. Previous research attempts to evidence on dividend declaration and investors' perception based on developed economies. This research attempts to fill the gap between developed and developing economies on dividend deceleration of investors' perception. The aim of this research is to investigate empirical facts on dividend clienteles in Bangladesh Capital Market as well as scrutinize the correlations among various dividend expectation and the diverse attributes of investors' community in Bangladesh on dividend payment. Also, it aims to test theories those have previously been built concerning on dividends paying stock of investor perceptions. The study has been conducted on 250 active stratified random samples of Bangladeshi investors who provided data related to dividends preferences by conducting face to interview with structured questionnaires. This research support that there is negative association between stipulate for dividend paying stocks and investors demographic attributes in the Bangladesh Capital Market. We find that corporate managers do not consider investors expectation on dividend paying stock. The study also reveals that one of the most important determinants of dividend initiations among Bangladeshi firms are the value-weighted dividend yield in the industry. As well as investors' perception depends on different attributes of investors' and dividend preference.

Keywords: dividend, dividend paying stock, dividend declaration, investors' expectation, investors' perception

1. Introduction

A considerable empirical study has been conducted on market reaction to dividend declaration and content of information on dividends hypothesis. Offering dividends on stock is an important part of investment decision as dividend is increasing net worth for investors (Islam et al., 2014). Cash dividend declaration is depending on the earnings growth as well as expansion strategy of the organization. Generally, an organization is willing to pay cash dividend when it gains significant cash earning. On the other hand, stock dividend declaration is subject to depend on the cash position as well as cash payout strategy of the company. However, if the company discloses dividend related information before declaring dividend, investors can expect dividend growth. Inversely, if the company does not disseminate dividend related information then the negative perception arise on dividend growth. In this regard, investors are concerned whether the organization is performing well or has any other negative intention? This *states* that positive dividend announcements can carry positive signal to shareholders that may indicate regarding better prospects of the firm. While a dividend decrease should perceive as a negative signal, and this has been well documented in the empirical literature (Fuller, 2003). However, the question remains whether paying out divided would essentially create value for the shareholders? Cash dividend payment provides cash flow to the shareholders but reduces firm's recourses for investment. Announcement of dividend has an impact on the market price of the shares; the market will react positively, if the dividend is up to the expectation level of the equity investors. On the other hand, if the dividend announcement is not reach up to the expectation level of the shareholders, the market reaction will in bear trend for that particular stock. To prevent this as a regulatory agency the Bangladesh Security and Exchange Commission (BBSEC) has initiated to provide compulsory quarterly earnings and yearly dividend announcements for the listed companies. This compulsory announcement creates a positive impact on the stock market. Anecdotal evidence shows some of these impacts and these are considered as an event study. Event studies focus on the impact of various announcements like bonus issue, right issue, stock splits, earnings, dividends, mergers and acquisitions, buyback of stocks, etc (Boehmer et al., 1991). Dividend announcements are one of the most important events and the studies on stock market reaction to earnings information are included in the semi-strong form of Efficient Market Hypothesis (EMH).

1.1 Research Objective

The main objective of this research is to attempt to determine the stock market reaction on dividend declaration in Bangladesh. Other objectives of this research are to investigate:

1) Investors expectation on dividend from particular investment;
2) Investors perception on dividend declaration;
3) Relationship between dividend declaration and value creation for investors.

2. Literature Review and Hypothesis Development

2.1 Theoretical Evidence around the Globe

2.1.1 Signaling Theory

The relationship between dividends and a firm's share price is explained by the following three major theories, the information-signaling, the free cash flow and the dividend clientele. According to Miller and Rock (1985) the Signaling theory affirms that amendment of dividend policy signaling that to adjust future cash flows of the firm. Dividend signaling theory proposes a affirmative association between information irregularity and dividend payment policy. Moreover, higher the deviation of information level leads to enhance the magnitude of dividend potential. Anecdotal experimental research endeavor to analyze the information substance of dividend payment policy revise, however they deny about the signal and the impact of the consequence of information irregularity on dividend policy (see Allen & Maely, 2003, for a survey).

2.1.2 Free Cash Flow Hypothesis

The free cash flow hypothesis is a measure of financial performance that is calculated by deducting capital expenditure from both operating cash inflow and outflow. It signify the cash that a business organization is able to produce cash to maintain or expand the assets base (Jensen's, 1986). Contiguous to the cash flow signaling hypothesis the finance literature has mainly tested one other explanation of the market response to the declaration of changes in dividends in the capital market. He argues that dividend payments are a useful instrument to prevent managers from investing in negative net present value projects. The important implication emerges from this hypothesis is that firms with poor investment opportunities may reduce agency costs and hence increase shareholder value by distributing free cash flows to shareholders.

2.1.3 Dividend Clientele Hypothesis

Dividend clientele theory assumes that investors' preference concerning how much a company will pay out after tax dividends (Geisler, 2000). The theory also suggests that taxpayers with a high marginal tax rate will be attracted to stock investment with lower dividend yields vice versa (Collins & Murphy, 1995). Shareholders usually take decisions regarding dividend distributions based on which is the most advantageous to them. Shareholders' are often dictated by various age group as well as income level. Older or retired investors are often tend to prefer higher dividend income than younger shareholders, who may prefer that the company use free cash flows to fund growth rather that distribute dividends. Ultimately, dividend clienteles tend to be growth-versus-income parties (Kawano & Laura, 2014).

2.2 Empirical Evidence around the Globe

The impacts of cash and stock dividends on the share price returns have been mixed in both the developed and the developing countries. Those research findings either support the dividend relevancy and irrelevancy theory to a great extent. Similarly, studies also provide explanations on the dividends declaration (YuQiao et al., 2001). This research also found a positive statistical relationship between the dividends and mix dividend policies of firms on the stock market. However, this study evidenced the market was not sensitive to cash dividend. Wei Chen et al. (1999) analyzed dividend policy of the companies listed in Shanghai Stock Exchange by using Cumulative Abnormal Return (CAR). This study attempted to observe whether there is any evidence of existence of the signaling effect of dividend policy; also to find its characteristics, if exists. The study also showed that the degree of CAR was greatly different as a result of different dividend policies. It also evidence that the CAR of right issue was higher than the cash dividend transaction cost. However, Foster and Vickrey (1978) argued that stock dividend issues generate positive abnormal returns on the declaration date; and the size of stock dividend is not determinant in the market reaction on ex-dividend date, this primarily supports signaling function of stock dividends. Black and Fischer (1976) stated that the form of dividend could be cash dividend and stock dividend or several mixed types of dividend payment. Fung and Leung (2001) evidenced that reinvestment by plowing back earnings should be viewed positively; it is a good investment approach provided that there are profitable opportunities in firms. If firms have good investment prospects indeed, shareholders prefer stock dividends in order to preserve cash. Thus as a emerging financial market like China, implies that rational Chinese stockholders would generally prefer stock dividends rather cash dividends. In contrast, Huang and Fung (2004) evidenced that if dividend policy serves as a signal to the market, firm value will change as a result. Share price appreciation will not translate into financial gains unless the respected stocks are traded through the stock exchanges. Therefore, shareholders would prefer cash dividends to realize an immediate economic gain. Louis et al. (2006) verified that firms typically pay stock dividends rather than cash dividends in many emerging financial markets like Bangladesh. The signaling and retained earnings hypotheses closely linked to relate stock dividends to a firm's good growth or investment potential in the developed nations (Baker et al., 2004). However, Kalay and Loewenstein (1985) and Nissim and Ziv (2001) found a strong positive relationship between dividend changes and a firm's ability to generate future earnings and cash in the developing countries. Similarly, dividend loses information content in explaining firm's future performance when stumpy earning and other earning related variables are released simultaneously (Conroy et al., 2000; Mikhail, Walther, & Willis, 2003). An emerging view is the tunneling perspective, which argues that cash dividends may be used as a tool to re-direct firm resources to benefit large shareholders and top management at the expense of minority shareholders (Faccio et al., 2001).

2.3 Theory on Dividend

2.3.1 General Dividend Definitions and Insights

Dividend is a part of divisible profit of a company which is decided by the board of directors and distributed to its shareholders (Huang & Fung, 2004). Dividend Policy is the firm's long-term policy of cash allocation from day to day operations; i.e. to what extent of cash to invest within the company and disburse dividend to stockholders. Companies should decide the form of distribution to be made to shareholders; by means of different types of dividends modes.

Generally, designing the dividend policy is an intricate factor which involves with many issues like: company expansion strategy, confirming future growth, investors demand on dividend, regulatory issues etc. In order to future expansion, company could revise dividend policy to generate low cost fund as best alternative financing methods by reducing cash dividend.

2.3.2 Cash Dividend Theories

According to Miller and Modigliani (1961) dividend is not relevant to calculate the value of a company as investors do not pay any importance to the dividend history of a company. They suggest that dividends and capital gains are equivalent when an investor considers returns on investment. The only thing that impacts the valuation of a company is its earnings, which is a direct result of the company's investment policy and the future prospects. So, according to this theory, additional input on the dividend history of the company becomes negligence when the investment policy is known by the investor. The investment decision is, thus, dependent on the investment policy of the company and not on the dividend policy. They further state that investors can get cash inflow by selling their stock which may offset their dividend requirement by obtaining gain of the stock. Conversely, if an investor doesn't require any cash than the investor can put into stock. , he can always reinvest the received dividend in the stock. Thus the dividend policy of a company has no influence on the investment decisions of the investors (Gad & El Din, 2013).

2.3.3 Transaction Costs

Transaction costs like: tax, brokerage commission, government duties etc. are important factors may consider in cash dividend for which investors are reluctant to receive cash dividend (Allen & Maely, 2004; Gad & El Din, 2013). Investors those are require a regular income from their investment may choice cash dividend-paying stocks. Similarly, those who are well off they may choice buying non-cash dividend paying stocks as they could prefer stock dividend paying stock.

2.3.4 Uncertainty Resolution Theory

According to Gordon (1961, 1962) investors' preference of dividends has been explained in the uncertainty resolution theory. He also argues that external shareholders prefer a high dividend paying policy as investors are feeling quiet uncomfortable on future company performance. As a result of that losing current dividend for future capital gain is unjustifiable (Gad & El Din, 2013). However, this may justifiable that investors behave rationally when a company operates in efficient market (Miller & Modigliani, 1961; Bhattacharya, 1979). Barberis and

Thaler (2004) argue that firm‘s dividend policy may change the overall cash flows.

2.3.5 Agency Theory and Dividend Policy

Generating cash flows is either investing in the business activities to sustain their growth or holding cash for future investment by organizations manager. The managing cash flows in these regards provide significant confidence to managers for future growth of the organization; on the other hand these will not maximize shareholders wealth for short and midterm. Jensen (1986) indentified that disagreement between ownership and control agents emerge due to separation of both of manager and shareholders as well as ownership diffusion deepen the disagreement of interests between agents and principles. This agency disagreement of interests generally motivates managers to limit privileged dividend payment to shareholders and mistreat shareholder funds. This tendency of management generally led to reduce interest of further investment to the organization by inventors.

2.3.6 Stock Repurchase

Repurchasing common stock by a company is a quiet popular process of alternative to pay cash dividends to investors. Company's repurchase stock due to the perception of management that stocks are undervalued and to reduce number of outstanding shares (Gitman, 2004), which could mitigate the agency problems (Easterbrook, 1984 and Jensen, 1986). Different empirical studies conclude that share repurchase are particularly functional to indicate the change of share price of an organization. Comment and Jarrell (1991) and Ikenberry et al. (1995, 2000) argue that company normally is reinvesting within the corporation when they have idle fund and consequently this announcement an abnormal return on the outstanding stock.

2.3.7 Stock Dividends Theories

Stock dividend is the popular instrument for the company as it acts internal source of fund. By paying stock dividend the company is not paying any cash which leads to enhance the number of outstanding stock (Gitman, 2004). DeBondt and Thaler (1995) stock dividends usually carries low transaction cost over cash dividends as there is no tax levied on stock dividend. As a result the stock holders gain more stock leads to enhance equity, voting rights and control on the company. Normally, the shareholders prefer the stock dividend when the stock price in the market is high and shareholders could perceive they will be benefited by getting the higher value.

2.3.8 Behavioral Finance

Generally, company fails to pay cash dividend due to cash flow crisis or if the managements has greater intention on present business expansion usually than managements put more concentration on retain earning and offer shareholders bonus shares to shareholders (Shefrin & Statman, 1984). They also argue that stock investors consider the stock dividends as cash dividends. Therefore, an investor who receives stock dividends and sells of those bonus issues to make a cash return of investment which ultimately does not break the mental accounting rules.

Therefore, behavioral life cycle theory on dividends (Shefrin & Statman, 1984) argues that investors usually pay more attention to receive dividends as their current income rather than dip into capital. They also argue that generally senior citizens those who are retired expect cash dividends other than stock dividend from investment as they have no labour income (Gordon, 1961, 1962).

2.4 Empirical Evidence in Bangladesh

2.4.1 Investors Expectation on Dividend

Corporate dividend policy is driven by prevailing investor demand for dividend and that managers provide to investors by paying dividends when the dividend premium is high. Although dividend premium is not driven by traditional clienteles derived from market imperfections such as taxes, transaction costs, or institutional investment constraints (Lee & Fuei, 2011; Dahlquist et al., 2014). This research are robust when controlled for the factors of investor sentiment, signaling, agency costs, tax clienteles, time trend, business cycle fluctuations and varying sample periods. Researchers are evidence that demographic clienteles are an important source of the time-varying demand for dividend payers. Moreover, they also find that, as constant with the behavioral life-cycle theory and the marginal opinion theory of stock price, the dividend premium is positively driven by demographic clientele variation represented by changes in the proportion of the older population (Collins & Murphy, 1995).

Therefore, the hypothesis should be:

H_1: There is a association between characteristics of investors' community and his / her necessitate for dividend-paying stocks in Bangladesh.

Becker et al. (2011) retail investors tend to hold local stocks and older investors prefer dividend-paying stocks. Similarly, these tendencies generate geographically varying demand for dividends. The research study also finds that in areas where seniors' citizens constitute a large fraction of the population are more likely to pay cash dividends and have higher dividend yields. They also provide indirect evidence why managers may respond to the demand for dividends from local seniors. Therefore the demographic related sub hypothesis would be:

$H_{1.1}$: Investors' age and necessitate of dividend-payment on stocks are positively correlated.

Dahlquist et al. (2014) evaluates the dividend tax clientele hypothesis using a data set of all domestic stock portfolios in the market. They find that investment funds that face a higher effective tax rate on dividend income than on capital gains lean their portfolios away from dividend-paying stocks. Consistent with tax rules, private corporations prefer growth stocks, that foundations exhibit strong dividend preferences, and that partnerships rarely hold stocks portfolios.

$H_{1.2}$: Investors' earnings and dividend-paying stocks demand are negatively correlated.

Feltman (2014) argues that women are most likely invested less than men in capital market, but when they do it, they do a better job. The reporter observes in the US market that investment portfolios controlled by women tend to be more diverse, less risky, and generally more successful. The possible reason could be "Women are terrified of retirement," she said. "They're terrified of running out of money. They're terrified of becoming bag women." So while many women save, relatively few of them invest (Cindy Hounsell, citied by Feltman, 2014). As women are more worry about future retirement and financial scarcity thus female investors tend to expect higher divided from stock, compare to men.

$H_{1.3}$: There is an association between investor's sex and demand of dividend-disbursing stocks.

2.4.2 Investors Perception on Dividend Declaration

According to Baker and Wurgler (2004a) the decision to pay dividends is driven by investor demand. Moreover, when investors put a stock price premium on the dividend paying stock then managers cater to investors by paying dividends. Conversely, when investors not put any premium on the stock price then managers do not cater any dividend. In addition to that, nonpayers initiate dividends when demand for payers is high. On the other hand, payers omit dividends when demand is low. This research tests the exiting catering theory of dividends in respect of Bangladesh capital markets. As per the hypothesis would be:

H_2: There is a substantial positive connection between dividend disbursement and demand for stocks.

2.4.3 Relationship between Dividend Declaration and Value Creation for Investors

Hamid and Chowdhury (2005) have attempted to examine the relationship between dividend and share price on daily basis. To perform the task they have attempted to use daily market- adjusted abnormal return (MARR) and daily cumulative abnormal return (CAR) to justify the impact of dividend announcement on shareholders' value. The outcome of the research are dividend paying companies listed on Dhaka Stock Exchange and found that MARR on the day of dividend announcement was not statistically significant which entails that the market reacts earlier than the actual announcement of dividend. They also evidence that investors gain value in the pre-dividend declaration period and loss value in the ex-dividend period. These findings also suggest that dividend announcement does not carry information about the future earnings and cash flows of the companies. The research has been conducted by considering 137 listed dividend paying companies of Dhaka stock exchange (DSE). The major drawback of the research is limiting sample companies those are listed in the Dhaka Stock Exchange. Whereas there are some companies listed in the Chittagong Stock Exchange (CSE). But regrettably those listed companies are not considered in the research study. In addition to that, CSE listed companies are subject to have different demographic investors who may physiologically react differently due to demographic reasons. Moreover, the researchers also fail to cover different listed companies' performance in different geographical area which directly affect on traded share price (http://www.dsebd.org/).

H_3: There is a constructive association between investor category of investment intermission and need for dividend-disbursing stocks.

3. Research Design

The research design, according to Schindler and Donald (2003) is the blueprint for the collection, measurement and analysis of data. It is also structured plan of investigation in order to answer the research questions. The research methodology of this research would be both qualitative and quantitative. We consider investors perception towards dividend by preparing questioners with semi structured interviews from various investors from different geographical locations. In the qualitative part we include three different theories such as:

'*signaling theory'*, '*free cash flow theory'* and *'dividend clientele theory*' to test our hypotheses. We also use quantitative method to test the dividend clienteles' theory by following statistical analysis such as correlation and regression.

3.1 Data Collection Method

To reveal the dividend puzzles, we conducted survey a group of Bangladeshi investors to explore on their savings, capital market investments and expenditure matters. The investors' portfolio is obtainable, that permit us to be familiar with the survey reaction and examine a range of dividend theories further. We exclude the institutional investors in this study as their perceptions and attitudes toward investments are completely different then individuals.

3.2 Sampling Design

According to Schindler and Cooper (2003) sampling is selection of some elements form a population. When the population size is very large than it become very difficult to work on large sample size (Schindler & Cooper 2003; Price & Cameron, 2009). Therefore, a compromise is to be made between responsiveness, sample size and time availability of data analysis (Smith, 2003). However, the actual sample size will depend on the researcher judgement as the sample is normally drawn on an estimation basis in order to desire level of precision. According to the Central Depository of Bangladesh Limited (CDBL) there are about 3.1 Million shareholders prevailing in Bangladesh. Because of the large size of population, we have attempted to 250 interviewees but got response from 150 investors. This 150 sample size is reasonable as previous researchers followed similar strategy (Islam et al., 2013; Naser et al., 2003; Pricewatercoopers, 2007; Schwarzkopf, 2007).

3.3 The Questionnaire

Primary data can be collected through various interviews, questionnaire or both. Interview method can steer the interview and explain the difficult questions and generate r qualitative information (Price & Cameron, 2009; Bryman & Bell, 2003). The drawback of the interview method is difficult to administer due to number of reasons like meeting, scheduling, timing etc. Questionnaire can be sent by post, email, or web mail to the target respondent. The most important advantage of questionnaire method is it can be reached to the extended geographical area (Blumberg & Schidler, 2008). But the main problem of questionnaire method is it sometimes provides inaccurate information due to lack of understanding of the questions by the respondent. As a result of that, we have chosen questionnaires with semi structured interview method to get more accurate data from respondent.

However, majority individual investors are Bangla native speakers who have very low or zero knowledge in English language. Because of that we have prepared questionnaire and conducted semi structured inverted in native language 'Bangle'. Later on we have translated in English.

3.4 Quantitative Analysis

The survey questionnaires are distributed to target respondent by following age, profession, gender, experiences and investment interval. Most of the questions asked on a scale of 1 to 5, where 3 is the neutral score and provided a blank space to have their unique opinion if have any.

Initially, we use statistical tools to experiment the presence of dividend clienteles, by modeling the relationship between dividend expectation and the investors' community attributes of the Bangladeshi Capital Market. These attributes include age, gender, income, and interval of investment.

Last part of the analysis, the frequencies and percentages of responses are found which are made to find out whether the responses from demographic groups are significantly different or not.

3.5 The Dependent Variables

The dependent variable in this model is the dividend preference which is measured using a scale from 1 to 3, in which 1= do not prefer dividends, 2 = indifferent about dividends, and 3= prefer dividends.

3.6 The Independent Variables

The independent variables are age, gender, occupation, investment experience and interval of investment which are the demographic and other characteristics of investors. Age is measured using a scale from 1 to 4 in which 1= below 25, 2= 25 to 35, 3= 36 to 45, 4= above 45 years old. Gender is measured using a binary nominal coding in which 0 = male and 1 = female. Occupation is measured using a scale from 1 to 5 in which 1= Government Job, 2= Private Job, 3=Business, 4=Student, and 5= others. The investment interval is measured using a scale from 1 to 5, in which 1= weekly, 2= monthly, 3= quarterly, 4= half yearly, 5= yearly to indentify the frequency of investors trading. The experience in stock market was measured by using a scale of from 1 to 5 in which 1= up to 6 months, 2= 6 months to 1 year, 3= 1 to 2 years, 4=2 to 5 years and 5=more than 5 years.

4. Research Outcome

4.1 Outcome on Dividend Clienteles

This research evidence that there is negative association between demand for dividend-disbursing shares and investors demographic attributes in the Bangladeshi Capital Market. Tsuji (2010) evidenced that in the Japanese electrical appliances industry, corporate managers do not consider catering behavior in either their dividend initiation decisions or their continuation decisions using data from firms in the Japanese electrical appliances industry.

We also find one of the most important determinants of dividend initiations among Japanese electrical appliances industry firms is the value-weighted dividend yield in the industry. Namely, we find that after the value-weighted dividend yield declines, Japanese firms in the industry tend to initiate dividend payments.

The result further shows that there is negative correlation between buying decision with various demographic attributes like age gender and experience, where gender has less influence on buying decision showing the correlation *p value -0.020. This study evidence that the reasons behind the negative correlation:* female investors are less aware, as well as social restrictions and negative perceptions on the capital. Moreover, BSEC as regulator fails to create positive female friendly investment environment in the capital market. In addition to that, most female investors are family depended who are dominated by their male family members. As a result of that, female investors do invest when they are confident in positive return.

This study also support that age plays limited role on buying decision of the dividend paying stock. However, it indicates a weak correlation between dividend preference and age group, though the correlation is not significant. The investors age shows a mixed attributes on investment decisions as age above 35 are more self depended on their investment decision because they are in the develop stage in their career life and could have some savings to invest in capital market. Inversely, investors who are below 35 age are belongs to their early career stage, where they are paying more concentration on family development related activities. Similarly, though this age group in the early career stage earning less income and paying more attention on family development expenditure. As a result of that, they have no or less surplus fund that they could investment in the capital market.

The correlation table is clearly indicating that dividend preference is not so affected by these demographic profile groups in the Table 1 and 2.

Table 1. Overview of survey respondents

Summary of Demographic profile of survey respondents		
Number of investors surveyed	250 (N)	
Number of responses returned	150 (n)	
Number of investors who:		In percentage
Are younger than 35	24	20
Are older than 35	96	80
Are Male	94	77
Are Female	26	23
Are Businessman	52	42.6
Are Govt. employee	16	13.1
Are private employee	43	35.2
Are student	9	7.5
Are more experienced	66	55
Are Less experienced	54	45

Table 2. Frequency tables of the various ages of investors

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 to 25	8	6.6	6.7	6.7
	25 to 35	16	13.1	13.3	20.0
	35 to 45	41	33.6	34.2	54.2
	45 or above	55	45.1	45.8	100.0
	Total	120	98.4	100.0	
Missing	System	2	1.6		
Total		122	100.0		

Table 2 demonstrates the association among all the variables under this research. This result is particularly important because it is different from existing evidence for the developed economy.

Table 3. Correlations

		Will you buy	Age	Gender	Experience	frequency of Trading
Will you buy	Pearson Correlation	1	-.114	-.020	-.055	-.006
	Sig. (2-tailed)		.215	.831	.549	.951
	N	120	120	120	120	120
Age	Pearson Correlation	-.114	1	-.178	.504**	-.258**
	Sig. (2-tailed)	.215		.052	.000	.004
	N	120	120	120	120	120
Gender	Pearson Correlation	-.020	-.178	1	-.147	.175
	Sig. (2-tailed)	.831	.052		.109	.056
	N	120	120	120	120	120
Experience	Pearson Correlation	-.055	.504**	-.147	1	-.130
	Sig. (2-tailed)	.549	.000	.109		.158
	N	120	120	120	120	120
frequency of Trading	Pearson Correlation	-.006	-.258**	.175	-.130	1
	Sig. (2-tailed)	.951	.004	.056	.158	
	N	120	120	120	120	120

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4. Frequency table of trading

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Weekly	31	25.4	25.8	25.8
	Monthly	37	30.3	30.8	56.7
	every 3 months	31	25.4	25.8	82.5
	every 6 months	10	8.2	8.3	90.8
	Yearly	11	9.0	9.2	100.0
	Total	120	98.4	100.0	
Missing	System	2	1.6		
Total		122	100.0		

Gender

The results also reveal that male investors are mostly dominating the capital market than female; and there is strong correlation between gender and year of experience of stock trading. And males are conducting more trading then females. Several respondents' declare that female investors are less aware on capital market, as well as social restriction and perceptions. Respondents also urge that authority should put more concentration to create positive environment for female investors.

Frequency of Experience table

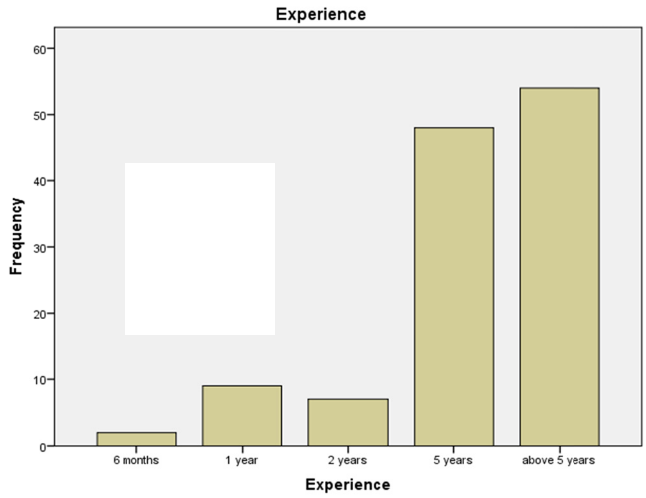

Figure 1. Bar diagram shows the number of different investors

The above table shows that why investors are paying attention to buy dividend paying stocks from capital market. Interestingly, the survey explains that majority investors do not have own decision to invest in the particular stock, as these investors cite that they are influenced by others investor stock buying decision specifically those are experienced in the stock trading.

Table 5. Frequency table of various occupations of investors

		Frequency	Percent	Valid Percent	Cumulative Percent
	Govt. Job	16	13.1	13.3	13.3
	Private Job	43	35.2	35.8	49.2
Valid	Business	52	42.6	43.3	92.5
	Student	9	7.4	7.5	100.0
	Total	120	98.4	100.0	
Missing	System	2	1.6		
Total		122	100.0		

The above table is representing various categories of investor occupations of capital market. The result comes across that majority investors (43.83 percent) of capital market from the private jobholder; the subsequent dominating group is business people, which is 43.33 percent of total investors and average occupation frequency is 52. Similarly, business persons are conducting more trading activities than any group of professions, similarly they more experienced than others investors group. Conversely, government employees are less interested on capital market investment as majority of them are earning stumpy amount of salary that they are not able to create a invest portfolio. Interestingly, students' are becoming more curious on capital market investment in present days as they are interested on exploring their regular earning source by investing in the Initial Public Offering (IPO).

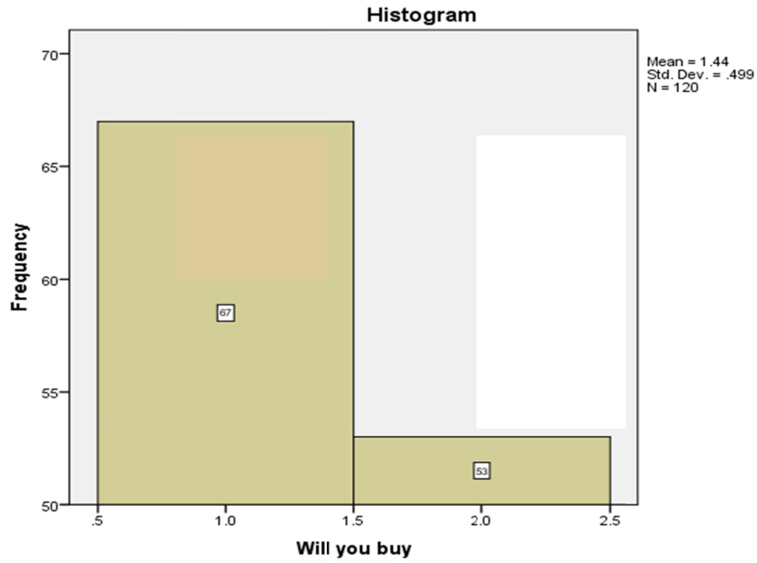

Figure 2. Investors buying decision on announced dividend paying stock

The above histogram shows that the investors buying decision on announced dividend paying stock. The finding illustrate that investors have a positive attitude towards dividend paying stock.

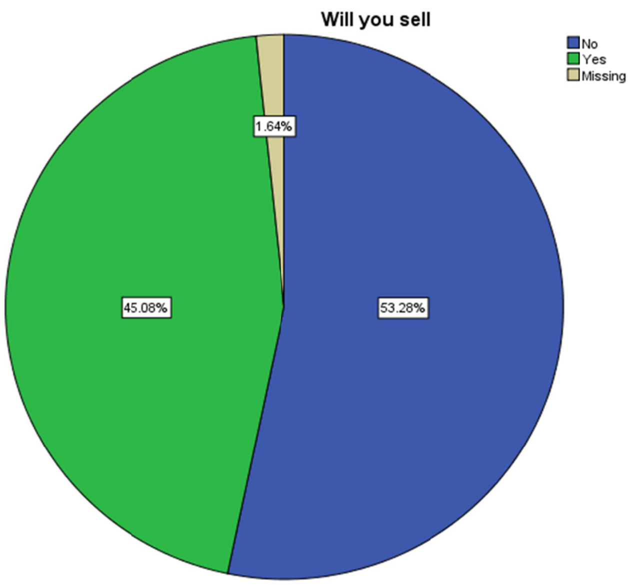

Figure 3. Investors' stock selling decision after the dividend declaration

The above chart shows about investors' stock selling decision after the dividend declaration. The research peels out those majority investors are not interested to sell their stocks after dividend declaration, whereas, less than 50 percent of the investors are interested to sell their stock after dividend declaration. Therefore, this research shows that there is a positive attitude towards dividend declaration to hold the stock.

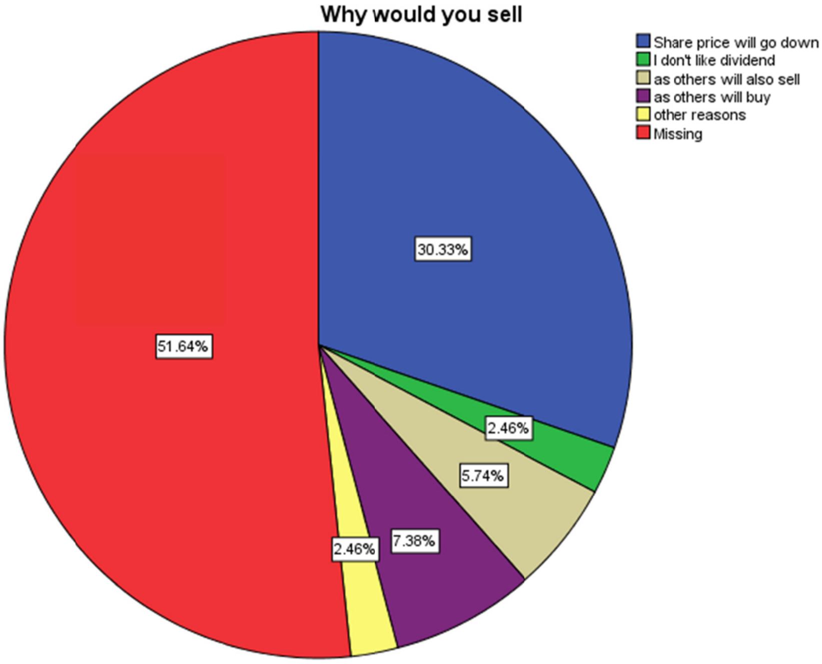

Figure 4.

About 30.33 percent respondents declare that they sell dividend paying stock as the share price will decline. On the other hand, majority investors will sell the stock as they are unaware about the market.

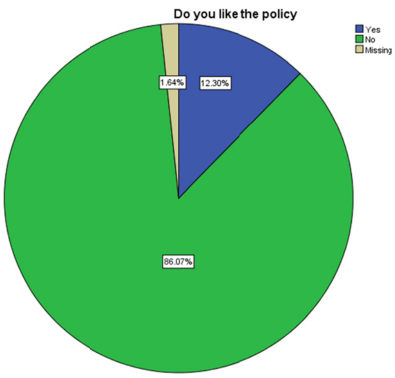

Chart-(5)

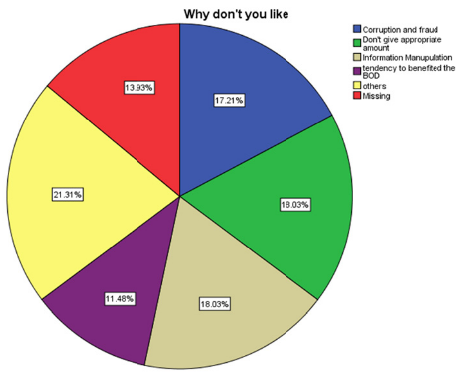

Chart-(6)

The above chart shows dividend policy choices of the investors. The research evidences that the dividend policy is inappropriate for a large number of shareholders (86.07 percent). This is supported by the following investigation that profit making companies sometimes pay less dividend which directly affects the share price. In addition to that, companies have greater tendency to make happy BOD. As a result of that, they are paying less attention to the investors' dividend payout. Also, other perception of investors includes: information manipulation occurs deliberately; Board of directors is intended to make benefited and even the BSEC also tries to benefit the big investors of the market; weak monitoring system of market due to that big gamblers always win with the help of the authority. The charts and tables below are given to show their opinion.

5. Conclusion

This study endeavors to contribute on the clarification of dividend puzzles in the Bangladeshi Capital Market. The majority the dividend policy theories setup on the behavior of shareholders. The experimental behavioral finance literature on this issue examines either behavioral aspect of corporate or executives or share price reactions. Nevertheless limited researchers investigate on individual investors' dividend preference. This research undertakes filling the gap on individual investors' dividend preference by conducting semi structured interview in both DSE and CSE brokerage houses' on individual investors'.

This research support that there is no positive correlation between demand for dividend paying stocks and investors demographic attributes in the Bangladeshi Capital Market. This finding resemble with Tsuji (2010) that corporate managers do not consider catering behavior in either their dividend initiation decisions or their continuation decisions. The study also reveals that one of the most important determinants of dividend initiations among Bangladeshi firms are the value-weighted dividend yield in the industry.

The research investigates various categories of investor occupations of capital market. Majority investors (43.83 percent) of capital market from the private jobholder; the subsequent investors dominating group is business people. On the contrary, government employees are less interested on capital market investment because of lack of financial affluence. Interestingly, students' are becoming more curious on capital market investment in present days as they are interested on exploring their regular earning source by investing in the Initial Public Offering (IPO).

The result further shows that there is negative correlation between buying decision with various demographic attributes like age, gender and experience as female investors are less aware, as well as social restrictions and negative perceptions on the capital. This study also support that age plays limited role on buying decision of the dividend paying stock. Moreover, majority investors do not have own decision to invest in the particular stock, as these investors cite that they are influenced by others investor stock buying decision.

The research also reveals that profit making companies sometimes pay fewer dividends which directly affects the share price. Also, other perception of investors includes: information manipulation occurs deliberately; Board of directors is intended to make benefited and even the BSEC also tries to benefit the big investors of the market; weak monitoring system of market due to that big gamblers always win with the help of the authority.

6. Limitation of the Study

Main limitation of this study is we follow the empirical procedures as in the corporate and behavioral finance literature but theoretical modeling contained in the financial economic literature is not addressed here.

Secondly, the empirical findings and conclusions contained in this paper are based on limited geographical area of Bangladesh. Correspondingly, there should have a convergence between investors and manager to get appropriate direction toward dividend perception. However, the result could be more representative if large number of sample undertaken; as well as the sample exclude the institutional investors' perception. We could not able to attain these wider groups due to time and fund constraint to find out more appropriate outcome of the stock market. These issues could open a new window for further studies.

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