A comparison of Swedish and Vietnamese dividend policies

-During 2005 to 2012

Authors: Matilda Lundberg
Helena Svensson

Subject: Bachelor Thesis in Business Administration 15 hp

Program: Economy Program 2011
Uppsala University, Campus Gotland
Spring semester 2014

Supervisor: James Sallis
Acknowledgments

We would firstly like to thank our supervisor Dr. James Sallis for support throughout the research process and a special thank to Dr. Adri de Ridder for the help with the collection of the Swedish data. Secondly, We would like express our gratitude to Ocean Securities for the time and efforts put in to the Internship to make the collection of the Vietnamese data possible. We would also like to thank Linneus Palme for giving us the chance to go to Vietnam to examine the stock market and the culture of Vietnam.

Matilda Lundberg
Helena Svensson
June 2014
Abstract
The dividend payout policy is a very debated topic, in this thesis the differences between Sweden and Vietnam will be examined. By examine two different countries with more or less the same landmass, but regarding economic, culture and politics they differ highly.

The purpose of this study was to determine whether there were a difference between the countries in dividend payout ratios, to see if the countries payout a high or a low dividend during the years 2005 to 2012. The second purpose was to examine if there was a significant differences in the movements in the markets. The third purpose was to examine how the two countries acted during the financial crisis, if the dividend payout ratio changed. This may tell how the policies in the two countries differ and how long term or short term the firms within the countries were planning and which kind of investors they are attracting. The data being used is collected historical data from firms with in each of the countries.

The thesis follows a quantitative research method based on a deductive and an inductive approach. The research design is comparative for examination of two the countries data samples and for the purposes descriptive and explanatory studies have been done. In order to determine whether there is a relationship between the countries dividend payout ratio, the normality of the data sample have been examined, showing that the data were not normal distributed. Therefor the data were examined with a Mann- Whitney test and by a Kruskal- Wallis test.

The result indicates that there is a difference between the countries in dividend payout ratios in the case of Vietnam and Sweden under the years 2005 to 2012. Comparing countries together between the years to determine possible differences, the dividend payout ratio was insignificant in 2005 to 2008, but significant in the years 2009 to 2012. The examination of Vietnam and Sweden separately with years as factors the dividend payouts in Vietnam showed a significant difference but an insignificant result in Sweden during the year 2005 to 2008. Further, the results showed that there is a difference between the years in Sweden between 2009 to 2012 but no differences in Vietnam under the same years.

Key words
Dividend Payout ratio, Stock market, Vietnam, Sweden, crisis, movement
1. Introduction

1.1 Background

The first stock market opened in Antwerpen, Belgium in 1460 (Thanh, Thuy and Weisblatt 2013), and for over 100 years people have been able to buy stocks at the stock exchange market in Stockholm, Sweden. The stock exchange NASDAQ OMX in Sweden opened in 1901 (Affärsvärlden 1998), it is included in NASDAQ OMX Group, which is the world's largest exchange company (NASDAQ OMX 2014). In the mid 80’s Vietnam made a reform and opened its doors to the rest of the world and began to trade (Phung and Le 2011). Vietnam is a former developing country just entering the industrial world, with a young stock market that opened 2000 (Hochiminh stock exchange Establishment & Development 2014). When the stock market opened the initial public offering (IPO) was not working until the year of 2005 (Thanh et al. 2013). In the same year the second stock market opened, Hanoi Stock Exchange (HNX 2014).

This thesis is going to be a comparison between two countries, Vietnam and Sweden both small countries in the world economy. Vietnam is now a fast growing economy compared to Sweden. On the other hand Sweden is counted to be highly developed with an eighth place out of 175 countries and ranked 0,916 on the Human Development Index list, which is used to measure how developed a country is. Vietnam has an HDI of 0,617, which puts them in the 127-place, compiled by United Nations Development Program (2014).

In this thesis we will do a research to find out if there is a difference in companies dividend payout strategies between the two countries from the year Vietnam's stock markets started to work properly. Further, to examine if there is a difference in how the listed companies reinvest or payout their earnings, the reverse dividend payouts will be investigated. The dividend payout during global financial crises will be analyzed, in order to examine how the firms within the two countries paid out dividend during the crisis. A high or low dividend payout has been proven able to say something about short term or long-term thinking in the firms.

There are five different ways for a firm to make money according to Conte and Karr (1981), by: issuing bonds, issuing preferred stock, selling common stock, borrowing and using profits. This means that one of the biggest sources to raise money for firms are at the stock market. The stock markets are enabling firms to be publicly traded, sell shares in public market and raise additional financial capital for future investments. This is why we only chose to examine listed companies and not companies in general. Listed companies have three major ways to use their free cash flow, through dividend payout, buybacks and new investments. Firms on the stock market are expected to pay dividend to their stockholders claims Brealey, Myers and Allen (2011).

Reasons why companies pay dividend is according to Jensen (1986) either to give the investors a signal that the firm will have a bright future, to please the investors need for capital or to make sure that managers do not invest in projects with a negative net profit value (NPV). Reasons not to payout dividend are if the firm has found an investment with a positive NPV or if the firm can buy back their own outstanding
shares (Moroney, Sweet and Carlson 2013). A new investment with a positive NPV or buyback program, generate a higher growth potential to the firm, but at the same time it can make the firm less attractive for the investors who wants a high dividend. Companies buy back shares when they wish to change the capital structure or owner structure according to Brealey et al. (2011). They continue to write that stock repurchases are a more appropriate way to payout transitory earnings than dividends, since they do not want to incur a commitment to maintain a high dividend payout.

Foreign ownership has an impact on if the dividend leaves the country, but to be able to develop a country investors are needed. Investors with high demand for capital often invest in firms with a high dividend payout. Companies within emerging markets like the listed firms in Vietnam payout a too high dividend, they might not be able to afford to invest in new investments, which is crucial for developing countries. Sweden have had foreign investors for a long time, and as companies managers often are reluctant to lower dividend to keep the investors, it can lead to a lower number of investments and no repurchase of outstanding shares which is bad in the long-run.

1.2 Purpose

For comparison of dividend strategy we have chosen two countries that are in the same size division in land mass, but different in many perspectives such as politics, law, GDP, GDP growth rate, economy and age of stock markets etc.

This thesis will analyze how the dividend payout ratio in Vietnam is compared to the Swedish from 2005 until 2012, to see if there is a significant difference. One world financial crisis have occurred after the opening of Ho Chi Minh Stock exchange in Vietnam, this crisis could have an impact on the dividend payouts, which will be examined. To clearly be able to see the effect of the crisis in 2007 the data sample has been split in two parts, 2005 to 2008 and 2009 to 2012. The movement in the dividend payouts will also be examined, a high movement in the markets can mean that the risk is high.

If a firm has a high dividend payout ratio or an increasing dividend payout over the years, it could mean that the firm will not have a high growth rate in the future, as the company is emptying itself. If a firm has a low dividend payout ratio, this may indicate that the company is reinvesting, which makes it possible for the firm to grow in the future. If the firm has a low payout ratio this will not meet the owners need for cash, a low payout do not mean that the firm is capable to invest in a positive NPV project. If a company continues to payout a high dividend during a crisis this indicates that the company believes in future prospects. On the opposite side, a high dividend during a crisis can make the company to empty itself until it collapses if they cannot ride out the crisis.
1.3 Statement and hypotheses

Statement: There is a significant difference in dividend payouts between Vietnam and Sweden during 2005 to 2012, there is a difference in the movement in the markets and the countries payout ratio change during and after the world financial crisis.

H₁: There are no differences in the dividend payout ratio between Sweden and Vietnam during the years 2005-2008 and 2009-2012.
H₂: There is no difference in dividend payout when the countries are combined during the years 2005-2008 and 2009-2012.
H₃: There is no significant difference in dividend payouts in Vietnam during the years 2005-2008 and 2009-2012.
H₄: There is no significant difference in dividend payouts in Sweden during the years 2005-2008 and 2009-2012.
2. Literature review

In the following section different theories about dividend are being presented. Differences and similarities between Sweden and Vietnam will be demonstrated. Various ways to distribute net profit through payouts, plow backs by buyback programs and new investments are presented.

2.1 Vietnam and Sweden

Both of the countries are small in the world economy, Sweden’s GDP is representing 0,85 of the world economy, and Vietnam's GDP is representing 0,23 percent of the world economy in 2012 (Trading economics 2014). The land area in Sweden is 410335 km2 (SCB), in Vietnam it is 329569 square kilometers according to Trading economics (2014). The countries differ in GDP growth rate, in Vietnam the rate is 5,54, and in Sweden the GDP growth rate is 0,1. Sweden's biggest source of income comes from engineering products and the major trading partner is the European country Germany for import and Norway for export (SCB 2014). The European unions biggest export partner is the USA (European Commission Directorate 2014). Vietnam's largest source of income comes from agriculture, the major trading partners for Vietnam is for import China and for export USA (IHS 2013).

Vietnam is a communist state, Sweden is a constitutional monarchy according to Nationmaster (2014), the difference is not only in partisan but also in the rules for foreign ownership and government owning differs by law. Sweden has civil law (The Swedish courts 2014) and Vietnam has common law (Nghia 2001). Tivéus (2000) writes that on the 10th of March 2000 it become legal to buy back shares in Sweden. Buybacks have always been allowed in Vietnam according to Thang Tran1. In Sweden firms can buy back max 10 percent of outstanding shares in each repurchase program (Tivéus 2000) in Vietnam a firm can buy back 30 present per buyback program (Nyugen 2012).

<table>
<thead>
<tr>
<th></th>
<th>Sweden</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening of stock market</td>
<td>1901</td>
<td>2000</td>
</tr>
<tr>
<td>Buy back allowed</td>
<td>10%</td>
<td>30%</td>
</tr>
<tr>
<td>GDP (2012)</td>
<td>525,70 US Billion</td>
<td>141,67 US Billion</td>
</tr>
<tr>
<td>GDP rate (2012)</td>
<td>0,1</td>
<td>5,54</td>
</tr>
<tr>
<td>Biggest source of income</td>
<td>Engineering products</td>
<td>Agriculture</td>
</tr>
<tr>
<td>Ownership regulations</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>HDI</td>
<td>8</td>
<td>127</td>
</tr>
<tr>
<td>Governance</td>
<td>Constitutional Monarchy</td>
<td>Communist State</td>
</tr>
<tr>
<td>Number of payouts/year</td>
<td>0-1</td>
<td>0-4</td>
</tr>
<tr>
<td>Legal</td>
<td>Civil law</td>
<td>Common law</td>
</tr>
<tr>
<td>Aria</td>
<td>449964 km²</td>
<td>329560 km²</td>
</tr>
</tbody>
</table>

Table 2.1

1 Thang Tran Head of Research and Investment Advisory Department at Ocean Security, Intervju marsh 10, 2014
2.2 Payout, plowback, investments and buyback

**Payout.** The dividend payout ratio is the percentage of the net profit of the dividend paid to the shareholders according to Accountingtools 2014. They continue to write that a firm that is public in a mature industry or firms that have slow growth usually have a high dividend payout. These firms attract investors that buy shares with high dividend, growth investors do not invest in these companies. The growth investors invest in new firms that use most of the net profit for investments and pays out a low dividend. If the dividend payout ratio is higher than 100 percent firms use the cash reserves to pay dividend, it is not a sustainable solution (Accountingtools 2014). Further, the reversed dividend payout ratio shows how much the firms plow back into the business. One conclusion is that free cash flow is decided to be invested or paid out in dividend, however the leftovers after the investments is used to buy back shares (Brav, Graham, Harvey and Michaely 2005). The stability of a firm and taxes affects the dividend policy and the relation between earnings and dividends is not as strong as is was 50 years ago.

**Plowback.** A normal payout ratio can be everything between 0 to 100 percent, when it is 0 it means the firm did not give a dividend to its shareholders. Payout ratios of 100 percent means that all the net profits were paid out to its shareholders. The payout ratio can be higher than 100 percent, which is not a long-term solution for the firms. A high payout ratio can indicate a small or no expansion of the firm in the near future (Finansväsen 2012). Further, they writes that a high dividend is not bad for the shareholders, it indicate that the investors are investing the capital on their own, and also that an ideal payout ratio is between 40 and 60 percent. Hamberg (2004) claims that by investing in a positive NPV investment instead of paying dividend, the value of future cash flow will be higher, and it could lead to higher dividend in the future.

**Buyback.** Companies buy back shares when they have a high liquidity, but do not want to payout dividend to its shareholders. One reason for this can be that the companies want a stable long-term dividend policy, and not give a wrong signal to the market (Tivéus 2000). There are two reasons to buy back shares, firstly to give the shareholders money in a other way than divided, secondly to change the ownership structure. Firms who used to pay dividend to its shareholders, shifted to pay fifty percent dividend and fifty percent went to shares repurchase. Grullon and Michaely (2002) claims that between the years 1980 to 2000 the same firms who paid dividend stood for 87,9 percent of the repurchase.

Comment and Jarrell (1991) showed that firms who bought back their outstanding shares, the price of the still outstanding shares afterwards was 2 percent abnormal compared to firms that haven't had a repurchase program. A firm that announces they are going to buy back shares was continuing to be superior in performance during the years that followed (Ikenberry, Lakonishok and Vermaelen 1995).

2.3 Dividend

Dividends do not really matter wrote Miller and Modigliani (1961), if there is an efficient market, in a world without taxes, transaction costs or other market imperfections. The dividends do not influence the market value of the firms. Going public can make a firm less innovative according to Thanh Hai et al. (2013), they
mean that the firm will only go for safer investments, which is good for the firm in short term but damaging in long term. This is because going public demands the firm to disclose inventions and results. Simkovic (2009) claims that shareholders get cash distributed from publicly traded firms in two different ways, through anonymous buy back of the outstanding shares or by dividend. Why companies pay out dividends is firstly to signal the firm’s future prospects to the market, secondly to meet the owners’ need for cash and thirdly to prevent management from empire building (Jensen 1986).

A high dividend payout sends signals that the company is doing well and that a future dividend is to be expected (Brealey, Myers and Allen 2011). Fama and French (2000) write that there are three factors that affect the decision to pay dividend; Companies with lots of investments are less likely to pay out a dividend, larger firms and firms with a high net profit are more likely to pay dividends. Their study shows that companies who used to payout dividend have low earnings and a few investments. Further, firms who never paid dividend showed a strong growth and were more profitable than former payers. Fama and French (2000) made the conclusion that companies who pays dividend are the most profitable and are about ten times as large as non-paying firms.

Fama and French (2001) reported that dividend is declining. Floyd, Li and Skinner (2013) writes that dividends are even more puzzling today because of the availability of stock repurchases. Managers are reluctant to reduce dividends (Lintner 1956) and managers of dividend-paying firms would stop paying dividend if they could (Brav et al. 2005). In Kuo, Philip and Zhangs (2013) study about the effect of the dividend policy, they found that the risk is the biggest explanation of the dividend policy. Their study also showed that in USA and in the European countries the liquidity was a significant factor, but not in the countries outside USA and Europe. The lifecycle was significant but weak comparison to the risk factor.

Baker and Wurgler’s (2004) catering theory explain that the dividend is driven from the investors demand for dividend. Managers give investors the dividend they want, they only omit dividends if the investors prefer non-payers, which affect the stock price. This is due to when the managers indicate that there will be a dividend, the stock price will go up. The catering theory does not show how much dividend to pay, it only tells whether to pay a dividend or not. The catering theory is only obvious in the common law countries and not in civil law countries (Kuo et al. 2013).

### 2.3.1 High and low dividend

High dividends reduce the value of the companies because it is higher taxes on dividends than on capital gains within firms (Brealey et al. 2011). Grinstein and Michaely (2005) found that the managers could be responding to investors that have a strong preference for high cash divided.

High dividend paying companies make better use of its money and low dividend payout seems to give a weaker 10-year profit growth (Arnott and Asness 2003). High dividend depends on two things according to Moroney, Sweet and Carlson (2013), firstly it depends on managers’ belief in the company's future success, secondly it depends on companies’ unwillingness to cut the dividends. Reason for the success lays in the companies who pay out much of the benefits, have less to future investments, which in turn would make them practical and only invest in profitable
projects, while firms with low payout would feel compelled to invest in unprofitable projects. Instead of paying out dividend the company plowback their earnings into the company, have a higher growth potential (Moroney et al. 2013). When companies repurchase outstanding shares, or reinvest the earnings, it can generate a return on equity in line with existing investments, this can the company not be sure of.

2.4 Dividend payout during crises

The global financial crisis in 2007 began in USA and affected the world economy (Ngoc Huy 2013) it is the biggest crisis since the depression in USA 1930 (Hagberg 2012). Lintner (1956) writes that managers rather not lower the dividend payout. Further, Floyd, et al. (2013) found that even if there was a financial crisis the managers were reluctant to cut or omit dividends. The rapport shows that the numbers of payouts dropped only by 1 percent in the firms during 2007 to 2009 and that the aggregate dividend only declined by 2 percent over the same time period, the both quantities rebounded in 2010. Some firms continued to increase the dividend quarterly during the crisis in 2007. For example the Lehman Brothers were the crisis started continued to pay dividend and make substantial repurchases less than six months before they went bankrupt. Financial institutions, industrials and banks increased their payout in general in the middle of 2000 with a payout ratio at level of 60 percent or more.

Emerging stock markets are associated with higher levels of risk according to Banner and Park (2014). As long as the returns are high, the risk might not affect the investor, but if the growth slows down and the liquidity is less valuable, the investors must consider the risk within emerging markets. Emerging markets provides potential, however, these markets are also exposed to additional political and currency risk. A combination of low P/E, high dividend yields and dividend growth should counterbalance the risk and reduces the overall volatility wrights Cullen and Sharma (2014). The variation in dividend policies across countries relies heavily on the countries’ respective investor protection framework, and the largest difference is between common law (e.g. Vietnam) and civil law countries (e.g. Sweden) (La Porta, Lopez- de- Silanez, Shleifer and Vishny 2000).

2.5 Owner structure and risk

Ownership has an impact on how much dividend a company payout and firms with a high insider ownership choose a lower level of dividend payout claims Jensen, Solberg and Zorn (1992). Phung and Vy Le (2013) writes that in Vietnam there are restrictions on how much foreign ownership a listed company is allowed to have, in 2012 foreign investors where allowed to own 49 percent of a listed firm. Sweden took away the restrictions for foreign ownership in 1993 due to the increased globalization (Henrekson and Jakobsson 2008).
Since the 1980’s the ownership structure have shifted and when the stock market opened in 2000 foreign capital flowed into the country. The majority of the Vietnamese firms in the past were state owned and relied on government for resources. In the year of 2000, 5759 firms where state owned, in 2010 the number had declined to 3255 firms. The foreign ownership increased from 1525 in 2000 to 7245 in 2010 (Phung and Vy Lee 2013). There will be a new decision in foreign ownership in Vietnam shortly to encourage further foreign capital to flow (Thanh Hai et al. 2013). They describe the market in Vietnam as highly fragmented containing 10 securities companies who stand for 75 percent of the total market including 102 firms. Private citizens are the majority of the investors in the stock market of Vietnam and the institutional investors are mainly the security and insurance companies.

Vietnamese companies are limited to trade in bonds and stocks, they are not allowed to use commodities and derivatives. The prohibition makes Vietnam sensitive for volatility, when there is periods of lost. A country with a stock market that is on the rise is to be considered as a country with good prospects, and a stock market can be used as an indicator of a country's strength and development (GSP 2014). Further the authors’ writes that the volatility describes a movement pattern in the market for example, how much up and down in value it changes. A high volatility means large movements and a low volatility means small movements. The volatility can describe how uncertain the market is, which is described as risk, it tells how unpredictable the market is.

In Sweden commodities and derivatives are allowed according to Eklund, Sandström and Stenkula von Rosen (2012) they describe derivative as financial instruments, examples on this are forward contracts, swaps and options. Options values are being impacted by the value of the stock price. Derivatives are used for hedging and speculation, they are able to reduce the risk. The derivatives can also create risk in liquidities, markets and credits (Eklund et al. 2012).
3. Method and data

The following section presents the procedure for the collection and processing of the data. The chosen method is presented and discussed. Displaying of data gone missing and data that have been eliminated are featured, followed by the statistical tests that have been used.

3.1 Design Method

The thesis is build upon collected historical data for each of the countries listed firms, statistical programs have helped to determine the differences and similarities between the countries dividend payout ratio. Research design is a framework for the collection and analysis of data according to Bryman and Bell (2013). The research design reflects where the weight is put in the research process. The research design used in this paper is comparative design, it is useful when a more or less identical method is used to study two different and contrasting cases. The purpose of a research study can be exploratory, descriptive or explanatory according to Yin (1994). This thesis will combine two types of studies, a descriptive and an explanatory study. An descriptive research aims to describe the basic information of a data sample in a specific time. In this case it will be able to describe similarities and contrasts of listed companies in Vietnam and Sweden. This has lead to the formation of the hypothesis. Exploratory research study looks for explanations of the relationship between variables. By testing the hypothesis it will give an understanding of the relationship between Vietnam’s and Sweden’s listed companies thru time. Since the thesis is supposed to establish a relationship between dividend payouts, the explanatory is suitable for this purpose.

This thesis have an deductive and an inductive approach, a deductive approach means that the thesis it is based on already existing theories in order to create a number of hypotheses that will be tested towards empirical data. An inductive approach means that the results is linked back to the theory according to Bryman and Bell (2013). When the hypotheses have been tested they will be confirmed or rejected based on the findings. The research is based on theories about dividend and published research reports, from this material a number of hypotheses have been constructed. The purpose of this thesis is to examine the differences and similarities, the volatility and handling of world financial crises in the countries by the dividends payout ratio. Based on the research approach the most appropriate research method for this thesis is a quantitative research method.

3.2 Sample selection

Data have been collected at the Vietnamese stock market and has been compared with data from the Swedish stock market for a quantitative research. By comparing the data from the two countries it have been possible to answer the research question that showed differences and similarities in payout ratios through time. By examine the payout ratio year by year the volatility in the markets showed how the markets have moved, it also showed how the countries paid out dividend during the world financial crises.
The complete data set have been collected from three different stock markets, private data have been collected from two Stock markets in Vietnam, Ho Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX), and collected data from Nasdaq OMX, Sweden. The collected data in both countries includes the total assets, net profits and the dividend of every company for each year. Vietnamese companies have been chosen on the criteria that the company should have been listed for so long time as possible on the Vietnamese stock market. The reason why the research does not go further back in time is because there is no more data in Vietnam to be collected. The Vietnamese sample period extends from 2000 to 2013 and covers 30 companies, most of them are from HOSE. Our overall Swedish sample period extends from 1965 to 2012 and covers a large number of firms representing Sweden’s dividend. The data is collected from around 170 listed companies in Sweden. Our sample of the Swedish data comes from the Corporate Library at Almedalsbiblioteket on Gotland that belongs to Uppsala University, Campus Gotland and the municipality of Gotland.

3.3 Data and calculation description

The annual reports in Vietnam are not as public as they are in Sweden. The Vietnamese data has been collected in eight weeks during an internship at Ocean Securities. The stock program Stox Pro 3.5 Professional in Ocean securities enabled the access to the annual reports. The stock program and the annual reports were in Vietnamese, therefore a translator were needed, which lower the reliability of the study. All the data has been collected by hand, by an examination of more than 300 annual reports, altogether about 1500 figures had been collected in Vietnam.

In Vietnam the government has decided that all shares in every company have the same face value, which is 10 000 VND for each share. The total dividend for each company is not reported which makes it more complicated than in Sweden. The total Value of all the shares is described, which is all outgoing share multiplied with 10 000. In Sweden there is normally one dividend payout annually, in Vietnam there is multiply dividend payouts each year, this means calculations to get the total dividend had to be done by hand.

\[
Dividend = \frac{Total \ Value \ of \ shares}{Face \ Value} \times (Div1 + Div2 + Div3 + Div4)
\]

The formula used to calculate the dividend for each year in Vietnam is shown above and the dividend payout formula is shown below.

\[
Dividend \ Payout \ Ratio = \frac{Dividends}{Net \ Income}
\]
All the observations have been adjusted for inflation with the price level of 2012. The adjustment has been done for each country for every year. The ratio of the consumer price index in year $t$ divided with the consumer price index in year $t-1$ gives the price level of 2012. After this step the median dividend, the Average dividend and the dividend ratios for each year have been calculated in both Vietnam and Sweden.

The currency has not been changed to a mutual one as it does not matter for the calculating of an dividend payout ratio, Vietnamese dong (VND) has been used in the Vietnamese survey and Swedish krona (SEK) has been used in the Swedish survey. During the years as the research is taking place the Vietnamese Dong has been devalued, this has not been taken into account.

### 3.4 Missing and eliminated data

In this thesis the Vietnamese data is mainly collected from HOSE since it have a greater number of firms that been listed longer on the stock market than HNX. The data before the year of 2005 is not complete, the lack of data prevents a significant calculation where at least thirty observations are needed, that is why these years have been eliminated. The Swedish Annual reports is not released for 2013 when the research began. The focus lays on the years 2005 to 2012 in both countries, to be able to make a proper study of comparison between the countries.

Some companies had a negative payout ratio, this is because the companies paid a dividend even though they had a negative net profit, this have taken place in both countries. Negative values are illogical to the formula of calculation, so it has been decided to exclude these numbers. In the Swedish case a total elimination of the companies has been made if the firm have had one negative number. This could be done because the high number of Swedish firms, altogether 75 companies has been eliminated from the Swedish case.

In Vietnam the data have been handled in another way, this is because the number of companies is lower than in the Swedish case. When a Vietnamese company has had a negative payout the payouts have only been deleted for that specific year, the data from the rest of the years have been used in the research. The collected data have had two extreme numbers, both of them in Vietnam, the highest is a dividend payout over 50000 percent, which distorts the calculations and would displace the rest of the data in an normal distribution, this kind of data have been eliminated.

### 3.5 Statistics

The statistical program SPSS have been used to examine the collected data, to determine it there is a difference in dividend payout between the countries and years. A descriptive statistic analyzes have been done to check the normality of the data sample. The data sample has been divided into two groups, 2005 to 2008 and 2009 to 2012. Each group of data have been tested separately, this for making it more clear which period of years, that the data in each country are standing out. The analysis showed the kurtosis and skewness is extremely abnormal. That’s why non-parametric
tests have been done to try to find significance in the test variables. A non-paramedic test is suitable when the data does not have a normal distribution it is also called a distribution free test according to Boston University (2013).

A perfect normal distributed curve has a skewness and kurtosis at zero. However, variables between the range -2 to 2 are acceptable for a normal distributed curve, for a more conservative approach the range should be -1 to 1 according to Brown (2012). Skewness is a measurement to show how symmetric the data is. A positive skewness value indicates that the data is skewed to the left and negative value indicates that it is skewed to the right. A positive value means that the left tail is long relative to the right tail, the symmetry is the opposite with a negative value. The kurtosis shows if the examined data are peaked or flat in comparison to a normal distribution curve. A low kurtosis has a flatter top, high kurtosis have a sharper peak. A high kurtosis decline rapidly, with heavy tails (Brown 2012). If the kurtosis is abnormal, it may indicate that the collected data would need a wider distribution as the data contains more extreme values.

The non-parametric Mann – Whitney U test have been used to find out if there is a difference in dividend payout between Sweden and Vietnam. The test can determine how the two samples are in comparison to each other, if one of the data samples has a larger value it is more likely to go for the alternative hypothesis than the null hypothesis. To determine if the comparison between the two samples is significant, we have examined the P-value (Asymp. Sig). The p-value can determine if the null hypothesis should be supported or not. A p-value above 0.05 when using a confidence level at 95 percent the null hypothesis should be supported, there is no different between the two samples. If the p-value is lower than 0.05 the findings is statistically significant and the alternative hypothesis should be supported (MacFarland 1998).

To examine if there is a difference between the years the non-parametric Kruskal-Wallis test have been used. The test is not sensitive to outliers and can compare more than two variables. The dependent test variable is the dividend payout ratio. The independent variables are years, the years are divided into four independent groups, 0 to 3. The Kruskal-Wallis test only shows that at least two groups are different, not which one of them who stands out (Laerd statistics 2013). This test has also been used to see if there is a difference in dividend payout during the year when examining the two countries separately. A high or low Z score indicates a very small p-value (ArcGIS resources 2010). The null hypothesis should be supported if the Z score are within -1.96 and 1.96. The chi-square can also determine whether two groups of data differ. The chi-square is significance if it is higher than in the critical number in the chi square table, the alternative hypothesis is to be supported.
4 Empirical results

In this chapter the findings of the study are presented. In the first part the descriptive statistics, the Skewness and the Kurtosis will be presented. Followed by the Mann-Whitney test using the grouping variable of countries and the Kruskal-Wallis test, with the grouping variable of years.

4.1 Descriptive statistics

In table 4.1 the distribution of the collected dividend payout ratios in Vietnam and in Sweden combined are shown. The data sample is divided in two periods of time, the first period contains the years 2005 to 2008 and the second period includes the years 2009 to 2012. The descriptive statistics in the sample shows that the years after the crises are much higher in mean dividend, standard deviation, skewness and kurtosis than the first period of time. Under the first four years the skewness is 4.1 and the kurtosis is 28.7 these values are far beyond the permissible values for a normal distributed sample. During the second time period, 2009 to 2012 after the crisis the values are even higher, with a skewness at 15.2 and a Kurtosis at 288.

A high kurtosis means the data have a sharp peak that declines rapidly in an histogram, the peak are sharper in both periods of time, but even sharper in the later years. Even though the most abnormal values have been eliminated the skewness tells us that there are outliers in the samples. The median is therefore a good measurement besides the mean, while a few skewed dividends only represent a few companies, these affect the mean more than the median.

The minimum dividend payout in the descriptive test is 0.00 in both the early- and later years, which means that some companies under the years at some point did not pay any dividend. The number 0.00 also represents one of the negative dividend payouts that have been eliminated. Under the first period of time the maximum dividend payout were 565.4 percent more than what the company earned. The maximum dividend under 2009 to 2012, there were one company who paid out 26524 percent of their earnings. The mean dividend in Vietnam and Sweden combined during 2005 to 2008 was 39 (33) percent and after the crisis the mean dividend is 51 (37) percent. This shows that Vietnam and Sweden together had a higher dividend payout after the world financial crisis. As a result of the high skewness and kurtosis the Kruskal-Wallis and the Mann-Whitney test are being used to examine the sample, as they are tests for data samples that are not suited for a normal distribution.
### Descriptives

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Div Mean</td>
<td>.39446</td>
<td>.022103</td>
<td>.51199</td>
<td>.056028</td>
</tr>
<tr>
<td>95% Confidence Interval for Mean</td>
<td>.35104</td>
<td>.40193</td>
<td>.43788</td>
<td>.62205</td>
</tr>
<tr>
<td>5% Trimmed Mean</td>
<td>.32668</td>
<td></td>
<td>.37530</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>.32905</td>
<td></td>
<td>.37369</td>
<td></td>
</tr>
<tr>
<td>Variance</td>
<td>.267</td>
<td></td>
<td>1.717</td>
<td></td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.516947</td>
<td></td>
<td>1.310387</td>
<td></td>
</tr>
<tr>
<td>Minimum</td>
<td>.000</td>
<td></td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Maximum</td>
<td>5.654</td>
<td></td>
<td>26.524</td>
<td></td>
</tr>
<tr>
<td>Range</td>
<td>5.654</td>
<td></td>
<td>26.524</td>
<td></td>
</tr>
<tr>
<td>Interquartile Range</td>
<td>.518</td>
<td></td>
<td>.610</td>
<td></td>
</tr>
<tr>
<td>Skewness</td>
<td>4.110</td>
<td>.104</td>
<td>15.162</td>
<td>.104</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>28.699</td>
<td>.209</td>
<td>288.005</td>
<td>.209</td>
</tr>
</tbody>
</table>

Table 4.1, Descriptive Statistic 2005-2012

### 4.2 Mann-Whitney test, the relation of dividend payout and countries

The non-parametric Mann-Whitney test with grouping variables of years, examine if there is a significant difference in the dividend payout between the countries. The P-value (Asymp. Sig. 2-tailed) in Table 4.5 during the years 2005 to 2008 is 0.015. This means that there is a difference in dividend payouts during the years 2005 to 2008 in Sweden and Vietnam. During 2009 to 2012 the P-value is 0.007, which shows that there is also a significance difference under these years. The Z score during 2005 to 2008 where -2.438, and under 2009 to 2012 Z score where -2.698 these values are outside the range for a Z score for both periods of time. The null hypothesis should therefore be rejected and the alternative hypothesis should be supported.

Altogether the results showed that there is a significant difference in the relationship of the dividend payout ratio between the Vietnam and Sweden under the examined years 2005 to 2012.
4.3 The Kruskal- Wallis test, compared the dividend payout year by year in Vietnam and Sweden combined.

The results from examining the relationship between the dividend payout throughout the years when combining Vietnam and Sweden, with years as grouping variable showed different results between the two time periods. The P-value (Asymp. Sig. (2-tailed)) in table 4.9 is 0, 415 under 2005 to 2008. The P-value is higher than the significant level of 0,05, which shows that there was no difference in the dividend payout ratio during the year 2005 to 2008. Nevertheless after the world financial crisis, under the years 2009 to 2012 the p-value where 0,037 indicating that there were a significance difference in dividend payout.

The Chi-square value during the years 2005 to 2008 was 2,85, which it is lower than the allowable limit showed that there was no significance difference in dividend payout. The chi-square during the years 2009 to 2013 was 8,465 indicating that there is a difference in dividend payout over the years. The Mean rank of the dividend payout ratio in table 4.6 and 4.8 are increasing during the years 2005 to 2007, but decreasing 2008 to 2009 after the beginning of the financial crisis. The mean rank increases again under the year 2011, to decrease in 2012.

The result of the findings shows that there is no significance difference in dividend payout when the countries are combined under 2005 to 2008. However there is a significance difference between the years 2009 to 2012 after the world financial crisis.

Test Statistics

<table>
<thead>
<tr>
<th>Test Statistic</th>
<th>Div 05-08</th>
<th>Div 09-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mann-Whitney U</td>
<td>21222,000</td>
<td>20827,000</td>
</tr>
<tr>
<td>Wilcoxon W</td>
<td>114750,000</td>
<td>114355,000</td>
</tr>
<tr>
<td>Z</td>
<td>-2,438</td>
<td>-2,698</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.015</td>
<td>.007</td>
</tr>
</tbody>
</table>

Table 4.2 Mann-Whitney U Test, Grouping Variable: Land, 2005-2008, 2009-2012.

<table>
<thead>
<tr>
<th>Test Statistic</th>
<th>Div 05-08</th>
<th>Div 09-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>2,849</td>
<td>8,465</td>
</tr>
<tr>
<td>df</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>,415</td>
<td>,037</td>
</tr>
</tbody>
</table>

Table 4.3, Kurskal Wallis Test, Grouping Variable: Year. 2005-2008, 2009-2012
4.4 The Kruskal – Wallis test, dividend payout compared to year by year for each country

Vietnam
In table 4.4 the Kruskal- Wallis test shows Vietnam from 2005 to 2008 with a Chi-square of 16,300, which is higher than the critical Chi-square 7,815. The P-value at 0,01 also shows that there is a significance difference in dividend payout between the years 2005 to 2008. During the years 2009 to 2012 the test chi-square was 4,450 and the P-value was 0,217 showing that there was no significance difference in dividend payout during the years 2009 to 2012. We could also see from our data sample that 7,5 percent of the firms had a pay out higher than 100 percent of their earnings during the early years, and during the later years the number was 13 percent.

<table>
<thead>
<tr>
<th>Test Statistics&lt;sup&gt;a,b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Div 05-08</td>
</tr>
<tr>
<td>Chi-Square</td>
</tr>
<tr>
<td>df</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
</tr>
</tbody>
</table>

Table 4.4, Kruskal-Wallis Test, Grouping Variable: Year. 2005-2008, 2009-2012, Vietnam

Sweden
In table 4.5 the results shows a Chi-square of 2,640 in Sweden from 2005 to 2008, which is below the critical number, this means that there was no significance difference in dividend payout during these years. This is also shown by the P-value of 0,451. Under the years 2009 to 2012 the P-value was 0,023 and the chi-square value was 9,518 showing that there is a significance difference in dividend payout. The firms who paid out a dividend over 100 percent during 2005-2008 was 6,25 percent of the firms, and after the crises 6 percent of the firms had a dividend higher than the net profit.

<table>
<thead>
<tr>
<th>Test Statistics&lt;sup&gt;a,b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Div 05-08</td>
</tr>
<tr>
<td>Chi-Square</td>
</tr>
<tr>
<td>df</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
</tr>
</tbody>
</table>

Table 4.5, Kruskal-Wallis Test, Grouping Variable: Year. 2005-2008, 2009-2012, Sweden
4.5 Average and median dividend year by year in Sweden and in Vietnam

Table 4.6 shows the mean dividend payout ratio through the years, the median is in the parentheses. The results of 2005 to 2008 shows that Sweden’s dividend payout goes up and down, in Vietnam it only increase during the same period of time. From the year 2005 to 2008 in Vietnam the dividend increased with 186,96 (81,25) percent. Under the crisis the mean dividend increased with 37,5 (23,4) percent. In the Swedish case the mean dividend is moving slightly up and down during the years 2005 to 2008, the percentage change in the mean dividend did decrease with 27,91 (27,27) percent. During the crisis 2007 to 2008 the dividend was lowered, it decreased by 18,42 (31,43) percent. In the year of 2005 and 2006 the median dividend in Vietnam and Sweden is quite similar, but the dividend payout during the crisis years is dissimilar. Vietnam pays out 35 (34) percent more dividend during 2008 than Sweden.

In 2009 the mean and the median dividend within each country in is are far away from each other, but when only looking at the median the values between countries are close to each other, the median of Sweden was 35 percent and the median of Vietnam was 36 percent. After 2009 the dividend payouts are moving in different directions. Sweden’s Dividend are decreasing under 2009 to 2012 down to 26 (29) percent in 2012, Vietnam’s mean dividend are moving up and down thru the years, but the median dividend is stably growing year by year, in 2012 the dividend was 49 (56) percent.

<table>
<thead>
<tr>
<th>Year</th>
<th>Vietnam</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>0,23 (0,32)</td>
<td>0,43 (0,33)</td>
</tr>
<tr>
<td>2006</td>
<td>0,37 (0,33)</td>
<td>0,40 (0,30)</td>
</tr>
<tr>
<td>2007</td>
<td>0,48 (0,47)</td>
<td>0,38 (0,35)</td>
</tr>
<tr>
<td>2008</td>
<td>0,66 (0,58)</td>
<td>0,31 (0,24)</td>
</tr>
<tr>
<td>2009</td>
<td>0,50 (0,36)</td>
<td>0,66 (0,35)</td>
</tr>
<tr>
<td>2010</td>
<td>0,43 (0,41)</td>
<td>0,43 (0,38)</td>
</tr>
<tr>
<td>2011</td>
<td>0,93 (0,52)</td>
<td>0,44 (0,34)</td>
</tr>
<tr>
<td>2012</td>
<td>0,49 (0,56)</td>
<td>0,26 (0,29)</td>
</tr>
<tr>
<td>2005-2012</td>
<td>0.51</td>
<td>0.41</td>
</tr>
</tbody>
</table>

Table 4.6, Dividend payout ratio through the years
5. Discussion

In this chapter the empirical results from chapter (4) and the theory from chapter (2) will be analyzed and discussed to see if the dividend payout ratio can be explained by the dividend theory. The hypothesis from chapter one and the findings in chapter 4 will be discussed and analyzed for further explanations.

5.1 Vietnam and Sweden

The two countries differ in many ways that is why it is interesting to follow the dividends payouts during the years before and after the crisis. Dividend who should not matter if there were no market imperfections, inefficient markets, taxes or transaction costs according to Miller & Modigliani (1961). A stock market that is on the rise, gives the country good prospects and a stock market is an indicator of how developed and strong a country is. This theory is consistent with the GDP growth rate in Vietnam, which is high supposing that the stock market is on the rise. The GDP percentage of the world economy is 270 times larger in Sweden than in Vietnam, this combined with the higher HDI, showing that Sweden is a more developed country than Vietnam. The result of the findings when comparing dividend with countries together showed that there was a significant difference between dividend payouts and countries under 2005 to 2012, these differences can be a result of the disparities between Vietnam and Sweden. The combined data of Vietnam and Sweden showed a skewness and kurtosis of above normal values. The data was unsymmetrical, indicating that the dividend payouts are irregular or fluctuating, especially in Vietnam from 2005 to 2008 and in the years after the crisis in Sweden.

Firms traded in a young public economy as Vietnam, should not be as stable as the dividend from listed firms in a mature economy as Sweden. The findings in the later year after the world financial crisis tells the contrary, Vietnam’s median dividend payout is stably growing and Sweden’s median dividend is moving up and down. A firm who is public in a mature industry or a firm that has a slow growth rate have a higher dividend payout, these firms are attracting investors with a demand for high dividend. This is not shown in the Sweden sample during the year of 2005 to 2008, an ideal payout should be between 40 to 60 percent of the earnings, Sweden is only paying out between 31(24) to 43 (35) percent of the free capital. During the years 2009 to 2012 the dividend payout in Sweden was within the ideal level with a payout of 49 percent in Sweden. Vietnam has had a dividend within ideal measures since 2007, but they have had a mean dividend ratio above 90 percent of the earnings in 2011, which makes them attractive for high dividend investors. Vietnam has a high growth rate, which also makes them attractive for growth investors.

The relationships between the dividend payout ratios as the dependent variable and years as factors was statistically insignificant when comparing both countries together in the year 2005 to 2008. From the year 2009 to 2012 the results showed that there was a significant difference between the years in dividend payouts. This can be explained by Vietnam’s smaller sample of data compared to Sweden’s bigger sample. Vietnam is significant during the years 2005 to 2008, but have a smaller sample of data, which can make it have no impact when comparing the countries together. Sweden who has a larger sample of data, can have an impact in this examination
while it showed a significant difference when comparing Sweden separately during 2009 to 2012.

The payout restriction also differs from one time a year in Sweden and up to four times per year in Vietnam, this could be a reason why Vietnam's dividend per year is higher than the Swedish dividend. Vietnam's biggest source of income comes from agriculture and Sweden's main income comes from engineering products. Engineering products seem to be more affected from the crisis, while the products might not be prioritized for countries within crisis, the Swedish major trading partners seem to be affected from the crisis. It does not look like the agriculture have been affected from the crisis, this can be while these kinds of products are always needed, and are only affected by the harvest and prices from competitors.

5.2 Payout, plowback, investments and buyback

The dividend payout in Vietnam and Sweden was compared separately over the years. In 2005 to 2008 the results showed a significant difference in dividend payout ratios in Vietnam but not in Sweden. This indicates that Vietnam have a higher movement in the dividend payouts under these years. It can be explained by the fact that Vietnam is an emerging market in a developing world and the stock market is not yet stable even if the theory tells that the stock market started to work after 2005. There is a possibility that firms in Vietnam are offering a higher dividend to attract investors to be able to grow further. An increase in the dividend is attractive for foreign investors, by increasing the dividend the firms assures that the firm is a good investment, it also tells that the firm believes in their own future. During 2005 to 2008 the Swedish dividend payout signals that the market is growing in a stable speed, with low movement and therefore a low risk. In Sweden market participants can use commodities and derivatives to lower the risk, this can have been done to lower the movement in the market during the early examined years. In the years after the crisis Sweden has an unstable market with a significance difference between the years, indicating that commodities and derivatives could not help stabilizing the market after the crisis. From the findings the dividend payouts in Vietnam started to stable grow between 2008-2012 with no significant difference between the years, indicating that the Vietnamese stock market is stabilized and not yet affected from the crisis in 2007.

Through buyback programs of outstanding shares the firms get higher liquidity, reasons for this is partly because a buyback program can make the dividend to be lowered, while the firm changes the owner structure to a smaller number of outstanding shares. A higher insider ownership is associated with a lower dividend payout. Another reason why firms makes repurchases of the companies' own shares is while the firms can transfer the excess capital to further investments. One problem with the repurchases can be that the company's shares are highly valued on the occasions when the companies have "excess capital", which later turned out to only be a temporary course, which were not fitted for repurchasing. Repurchases of shares has been allowed in Sweden since 2000, in Vietnam it has been allowed from the same time period as the stock market opened in 2000. In Vietnam it is allowed to buy back 30 percent in each program but in Sweden the firm is only allowed to buy back 10 percent per program. Bigger repurchase programs makes it faster to change the owner structure, this would make it easier to change the owner structure in Vietnam. A
buyback make the stock price to go up while it implements that the firm believes in the future and a firm who buys back shares is according to the theory performing well for the following next years. That the GDP growth rate is higher in Vietnam does not show in the findings, where it looks like Sweden is plowing back more of their earnings back in the firm and should therefore have a higher growth potential. However the theory tells us that a low payout seemed to give a weaker 10-year profit growth. With our result that would mean that Sweden is going to have a lower 10-year profit growth than Vietnam, this agrees with the higher GDP rate in Vietnam.

Both Vietnam and Sweden are having a high plowback during the year 2005 to 2006. During the crisis Sweden was lowering the dividend, in opposite to Vietnam who was increasing the dividend. Sweden goes against the theory that says the managers are reluctant to lower the dividend even during a crisis. Some companies in Vietnam and Sweden have been paying out more than their net profits, this means the dividend payout comes from capital reserves which is not a long-term solution. If a firm has a weak net profit one year, they might try to contain the normal dividend payout to make the stockholder feel calm and not invest their capital elsewhere. In Vietnam 7,6 percent of the firms paid out more than 100 percent of their earnings during the year 2005 to 2008 and in Sweden 6,25 percent. During the year 2009 to 2012 13 percent of the Vietnamese firms and 6 percent of the Swedish firms had a payout higher than 100 percent. The remarkable with these figures are when Vietnam's dividend payout ratios looks stable over the years, it does not seem to go so well for the Vietnamese companies while they are paying out more than what they earn, if the trend continues the companies will eventually collapse.

The repurchases makes the earnings in still outstanding share to increase in value and positive investments makes the company grow. Further reason for repurchase programs is to secure an option program, which is allowed in Swedish companies, but not allowed in Vietnamese companies. The option that is based on the shares value becomes more valuable if the share is rising. Share repurchases makes the earnings per share in the firm to increase without that the company's earnings must increase. Companies with low mortgages, strong balance sheets and strong cash flow are suitable to repurchase their own shares, instead of paying out extra in dividends when the firm have excess capital, at a course that is not only temporary.

5.3 Dividend

The high dividend in Vietnam might be due to the catering theory about the managers meeting the stockowners need for dividend. When the managers indicate the plan to payout dividend the stock price goes up, which signals to the market that there is potential in the firm. But this is not certain, it can also mean the firm is emptying itself. The catering theory is only obvious in the common law countries (e.g. Vietnam), not in civil law countries (e.g. Sweden). It means that the catering theory only can be applied in the Vietnamese study. In Vietnam the dividend is constantly higher than in Sweden this implies that the investors demand a higher dividend and
the managers follows their request. Between the years 2005 to 2008 the dividend is growing in Vietnam. The dividend payouts are higher in Vietnam from 2006 to 2008 compared to Sweden. The biggest difference is during 2008 when Vietnamese firms payout ratio is 35 percentage points higher than in Sweden. In Sweden the mean dividend is moving slightly up and down during the years 2005 to 2007 and are decreasing with 18,42 percent during 2008. This shows that the firms in Sweden are more conservative in payouts than Vietnam, this might be a result of the civil law in Sweden, who makes the catering theory ineffective.

Firms who never paid out dividend, exists in both countries, these firms are supposed to have a strong growth and be more profitable then firms who stopped paying out dividend. Companies who stopped paying out dividend can make it as a final try to stop the firms from going bankrupt, even if the theory says it is better to continue to pay dividend, this might not be the case during a long crisis. The firms who stopped paying out dividend have low earnings and a few investments according to the theory. Firms that pays out dividends are the most profitable ones and about ten times as large as the firms who do not pay dividend, and therefore firms should continue to pay divided while dividends attract investors, and investors bring in more capital into the firms. The theory says that mature firms have a slow growth and a high dividend. This is true in the case of Sweden who has a slow growth and a ideal dividend in the later years. Vietnam has a high dividend and a high growth, Vietnam can be seen as more mature country when the growth slows down.

5.3.1 High and low dividend

A high dividend can be considered by some to reduce the value of a firm, this because the taxes on dividend are much higher than the tax of capital gains. A high dividend can be a result of high taxes, to compensate the stockholders. The higher dividend in Vietnam can be a result of higher tax system than in Sweden. Arnott and Asness wrote that a low payout gives a weaker 10-year profit growth. It goes against another theory that claims that a positive investment programs, makes the earnings higher in the future. One reasons for a high dividend are the resistance to cut or omit dividend, in this thesis it has occurred in both countries. A second reason for a high dividend is that firms want to signal a bright future. The results show that Vietnam is more resistant to cut the dividend and have a greater need to signal that they believe in their firms.

Plowback makes a firm having a higher growth potential, which would mean that Vietnam and Sweden in the years of 2005 to 2006, when having more or less the same plowback, approximately are having the same potential to grow. Later during the crisis Sweden are more conservative in dividend payouts then Vietnam, given these results Sweden should have a greater chance to grow after the crisis. The Vietnamese dividend payout ratio has no significance difference between the years during 2009 to 2012, but Sweden does show a difference. This could mean the Swedish dividend payout ratio has a higher movement within the market, it can be a sign of an unstable market the later. Vietnam gives a sign of a stable market with a growing dividend payout ratio, the dividend payout is 10 percentage points higher than in Sweden.
during all the examined years. A low dividend can mean that the earnings goes to a repurchase program or to new investments. Our findings are indicating that Sweden plows back more capital than Vietnam, this can mean that they feel the need to invest even in negative NPV project, if they do not want to do a repurchases program and change the owner structure.

5.4 Dividend payout during crises

From 2007 when the biggest crisis since the depression in 1930 hits USA, all the trading partners who is connected both in an direct or an indirect way should be affected. The result of Vietnam is in accordance with Lintner (1956), the managers are reluctant to reduce dividend. It also has also been found that there were firms who continued to increase the dividend payouts quarterly during the financial crisis in the case of Vietnam, this is also in accordance with the theory. According Floyd et al. (2013) the dividend only declined with 1 percent under the year of 2007 to 2009 in USA. The aggregated dividend during the same time period only declined with 2 percent in USA. Which is more than what Sweden decrease in dividend during the crisis. The average dividend in Vietnam did increased with 4 percent, which goes against what happened in the USA. This indicates that the crisis in America does not show in dividend payouts in the same way in Vietnam and Sweden as it did in USA. The theory based on dividend in USA during the crisis the companies paid out dividend to signal the health of the firm. The Vietnamese firms are also continuing to increase the dividend during the crisis, this could mean that they want to signal a health.

The movement in the market after 2008 in Sweden could be a sign of the crisis. The crisis seems to affect the Swedish market more than the Vietnamese market, as there is no significance difference between the dividend payout ratios in Vietnam. Vietnam had a significant difference in the early examined years, which could mean that Vietnam felt the crisis right when it began, but as the dividend was increasing during this time the view is not strong. Sweden is paying out dividend under the recommended level of 40 to 60 percent during the financial crisis years 2007 and 2008. Vietnam is increasing the dividend during the crisis, from 48 percent in 2007 to 66 percent in 2008, an increase of 37,5 percent. Fama and French reported that dividends are declining, this is true in the case of Sweden but not in the case of Vietnam during the years of 2005 to 2008, the result of Sweden can be due to the financial crisis. The years after the financial crisis both Sweden and Vietnam have a dividend payout between 40 to 60 percent.

To lower the dividend during unstable times, during a crisis should be dependent on how the assets and the capital structure in each specific firm are. There are reasons to lower the dividend during a crisis. To make sure that the firm does not have to do make new issues, borrow or sell off businesses in the future.
5.5 Owner structure and risk

Ownership has an impact on how much a company pays out in dividend and firms with a high insider ownership do choose to lower level of dividend payout. This would mean that Sweden who has no restrictions of foreign ownership could have 100 percent foreign ownership and therefore also an high dividend, this is not the case. Vietnam has an higher dividend payout but also restrictions on 49 percent foreign ownership, this could mean that even if Vietnam has restrictions they seems to have more foreign owners than in Sweden. Vietnam has increased the number of foreign investors and lowered the number of state owned firms, this could be a reason why the dividend has increased in Vietnam as the firms have shifted from insider to foreign ownership.

Vietnam’s market is highly fragmented with ten companies that stand for 75 percent of the market. Therefore if a crisis hits these firms, it can affect the whole market. In the findings it does not seem like the crisis have affected the dividend within these companies. The theory claims that larger firms tend to have a higher dividend, this can be an further explanation why Vietnam has a higher dividend, while these ten large firms can have a higher dividend who effects the ratio.

The theory also says that as long as the growth and the liquidity is rich, the risk of the investment do not affect the investor. However, when the growth slows down and the liquidity is less rich, the risk of the investment must be considered by the investor. This makes Vietnam, more vulnerable if the growth and the liquidity goes down while investors might will move their investments. Compared to Sweden are Vietnam under more risk while they have a younger stock market and their economy is not as stable. The risk in an emerging market can be counterbalanced by; a high dividend yield, a high dividend growth and a low P/E.

A dividend can be seen as the interest rate of a loan given to the shareholders from the company as compensation. As a loan giver the investors want a interest rate suitable for the risk they are taking by investing in that specific firm. By investing in a listed firm within Vietnam, who is country under developing with a low HDI the risk should be higher than to invest in a developed country like Sweden. Therefor Vietnam should have a high dividend payout that compensate for the risk. Sweden who is having a slow growth rate and are also a mature industry should therefore have a stable economy, listed firms within Sweden ought to have a high dividend according to the theory. Sweden’s average dividend where in the lower level of an ideal dividend payout that cannot be considered high. Vietnam’s payout is over 60 percent under some years that can be considered high and is in good agreement with theory
6. Conclusions and Recommendations

The purpose of this chapter is to summarize the findings and answer the research question. Some suggestion for further research will also be provided.

This thesis main purpose was to study the relationship between Vietnam and Sweden in dividend payout ratios between the years 2005 to 2012. The second purpose has been to examine if the countries paid out different payouts during and after the financial crisis in 2007. The third intention were to find answers to if the dividend within the Vietnamese Stock market were moving differently than the Swedish stock market under the years 2005 to 2012. The research question were: **What is the relationship between Vietnam and Sweden in dividend payouts during 2005 to 2012, are there any difference in the movement in the markets and how did the countries payout ratio change under and after the world financial crisis.** The result of the findings is consistent with the dividend theories in most cases.

**Hypothesis one.** The test showed that there was a significant difference between the dividend payout ratio during the examined years 2005 to 2012 in Vietnam and Sweden. The results indicate that some factors had an impact on the dividend payout ratio. These differences in dividend payout ratios might be dependent upon the differences in the law of buy backs, foreign ownerships and taxes. The age and stability of the stock markets might also have an impact, it is possibly that risk, political governance, HDI, and the main industries affect the dividend payouts.

Vietnam and Sweden payout around 32 percent of their earnings between the years 2005 to 2006, which indicate that the compensation for the risk are the same in the countries and that both countries are plowing back more capital than the ideal payout. Under the years 2005 to 2012 the average dividend payout in Vietnam is 51 percent and 41 percent in Sweden. The Swedish companies plow back more of the earnings back into the firms. It can be a result of the change in Swedish law that allows the companies to buy back their own shares and making it able to change the owner structure, after 90 years of buy back prohibition. One of the reasons that the dividend is greater in Vietnam can be an outcome of the four dividends per year. Further reason for the dividend payout to be higher in Vietnam could depend on the need for investors, to get liquidity in to the firms to be able to grow.

**Hypothesis two.** The second result from the findings is that there is no difference in dividend payout between the years 2005 to 2008 when Vietnam and Sweden are combined, quite the contrary to the years 2009 to 2012 where there is a difference. Because of the larger data sample from Sweden these results are only showing the Swedish movement and are taking no consideration for the Vietnamese sample. This makes the test not reliable to show the movement in both countries markets together.

**Hypothesis three.** Comparing the dividend payout in Vietnam, it showed that there was a significant difference in dividend payout between the years 2005 to 2008. This
indicates that Vietnam have a high movement in the dividend payout ratio, it grows higher year by year.

This can be an explanation of the fact that Vietnam is an emerging market in a developing world. Vietnam can be offering added compensation for the elevated risk by increasing the dividend. This seems to have a greater role when the entire world market is associated with a higher risk during the world financial crisis. In Vietnam the risk can be higher depending on the fact that they are not allowed to use commodities and derivatives that reduces the risk. Under the later years there was no significant difference in dividend payouts, this is indicating that the Vietnamese market after eight years from the opening is starting to become stable. Further, Vietnam may still not be affected by the crises noticeable in dividend payouts, while they are more connected to the Chinese market, then the European and the American market. It can therefore take longer time before the effects from the crisis is shown in dividend payouts.

Vietnam's biggest source of income comes from agriculture. It makes the market dependent on the weather, a bad harvest can affect the net profit which in turn can lower the dividend payouts. Not to concern the shareholders and keep investors Vietnam paid out more than 100 percent of their earnings even if they are emptying the cash reserves. In the years 2009 to 2012, this happened in 13 percent of the cases. This can be a reason why the Vietnamese dividends are higher and more stable after the crisis, while they are not lowering the dividend. Another explanation for the high dividend payout in Vietnam can be the catering theory, the Vietnamese shareholders might have more influence on the dividend payout than the Swedish.

**Hypothesis four.** The Swedish tests showed that there was no significant difference in dividend payouts in Sweden during the years 2005 to 2008. This indicates that the stock market in Sweden is working and that the dividends are following a pattern. The dividend in Sweden did decline in 2007, which goes against the theory and the normality, it is probably an effect of the crises. When the international market is unstable and uncertain firms within Sweden might have thought that the earnings were more suitable for new investments or to use for buying back outstanding shares. Sweden's dividend payout is below the ideal under the years 2005 to 2008, it can be a result of Sweden plowing back more capital into the firms, this maybe due to the change in law for buyback programs. Another reason can be that the owner structure in Sweden has a high insider ownership that demands lower dividend.

Sweden has a significant difference in dividend payouts under the years 2009 to 2012. One reason could be that the Swedish dividends are affected from the crisis in 2007, the dividend shows volatility in subsequent years. The volatility implies that the risk in Sweden went up after the crisis. Why Sweden were affected by crisis could be dependent on the main income of Sweden, engineering products which is sensitive for a non-working world market.
6.1 Recommendations

If the firm wants their stock price to go up, they should announce that they are going to pay a dividend. If the firm chose to buy back shares the stock price will also go up and the firm will also have a high growth potential. What a firm should not do is to stop paying dividend if they have done it before, while these firms seems to have low earnings and few investments.

In this thesis the high debt ratios in companies has not been taken into account that might explain the low dividend. Further, the fact that dividends are taxed at an investor’s personal income tax rate in Sweden could have an effect on the low dividend. To determine which subject who impacts the dividend or to examine the data without eliminating the extreme values would be a good topic for further research. The quality of the research could have been improved if more information about each firms would have been examined, and if all the firms within Vietnam would be examined, and not only the ones who were listed from 2005. The devaluation of the Vietnamese Dong has also not been taken into consideration.
References


Affärsvärlden:(1998) Generalindex berättar 1900-talets börshistoria Published 14 January 1998


Boston University School of Public Health (2013), When to Use a Nonparametric Test (Collected 2014-04-14) http://sphweb.bumc.bu.edu/otlt/MPH-Modules/BS/BS704_Nonparametric/BS704_Nonparametric2.html


Henrekson, M. and Jakobsson, U. (2008), Globalisering tränger undan den svenska ägarmodellen, Dagens Industri (published 2008-10-08)


IHS (2013), Vietnam Country Monitor is the property of IHS Global Inc


Kuo, J, M. Philip, D. Zhang, Q. (2013), What drives the disappearing dividends phenomenon? Journal of Banking & Finance 37, 3499–3514


Thang Tran; Head of Reasearch and Investment Advisory Department at Ocean Security, 2014. Intervju marsh 10


Resources (2014), *What is a Z score What is a p-value* [http://resources.esri.com/help/9.3/arcgisdesktop/com/gp_toolref/spatial_statistics_toolbox/what_is_a_z_score_what_is_a_p_value.htm](http://resources.esri.com/help/9.3/arcgisdesktop/com/gp_toolref/spatial_statistics_toolbox/what_is_a_z_score_what_is_a_p_value.htm) (Collected 2014-04-15)

