

Dividend Regulation under China's 2024 "Nine National Guidelines" and Stock Price Reactions: An Event Study

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Abstract. Cash-dividend regulation can affect corporate payout decisions and investors' assessments of firm quality. This study examines short-term market reactions to the State Council's 2024 "Nine National Guidelines," which strengthened oversight of listed companies' cash dividends. The analysis defines 12 April 2024 as the event date and matches daily A-share returns from 1 August 2023 to 10 May 2024 with 2023 financial data. Cumulative abnormal returns (CARs) are calculated over $[-1,+1]$, $[-3,+3]$, and $[-5,+5]$ windows. Firms with incomplete returns are excluded, and continuous variables are winsorized at the 1st and 99th percentiles, yielding 4,211 observations. Dividend yield is significantly and positively associated with CAR in all three windows. In the baseline regression, a one-percentage-point increase in dividend yield corresponds to an approximately 0.808-percentage-point increase in CAR $[-3,+3]$. These findings indicate that investors reacted more favorably to firms with higher pre-announcement dividend yields when the policy was released. This evidence clarifies the policy's immediate cross-sectional pricing implications.

Keywords: "Nine National Guidelines", Cash Dividends, Event Study, Cumulative Abnormal Returns

1. Introduction

Cash dividends distribute earnings and inform investors' assessments of cash flows and governance quality. China's 2024 policy applies stronger constraints to persistently low-dividend firms while rewarding stronger payout records [1]. The study uses dividend yield as its core explanatory variable and compares cumulative abnormal returns (CARs) across firms with different dividend yields.

On 12 April 2024, the State Council released *Several Opinions of the State Council on Strengthening Regulation and Forestalling Risks to Promote the High-quality Development of the Capital Market*, commonly referred to as the 2024 "Nine National Guidelines." The policy strengthens constraints on firms with prolonged non-payment or low payout ratios and raises incentives for firms with strong dividend records [1]. Compared with earlier reliance on refinancing conditions and disclosure, it places investor returns more directly at the center of regulation.

Actual adjustments to dividend policy can be observed only after subsequent annual reports and regulatory implementation. Stock prices on the announcement date instead capture investors'

immediate assessments. The study tests whether firms with higher pre-announcement dividend yields earned higher CARs under the same regulatory shock.

The analysis estimates CARs over three event windows and matches them with 2023 dividend yields, cash dividends per ten shares, and firm characteristics. The regressions control for firm size (Size), leverage ratio (Lev), and return on equity (ROE). This design isolates cross-sectional pricing differences from common variation in firm scale, financial pressure, and profitability. The results inform regulators and investors and support research on longer-term payout-policy effects.

2. Institutional background and literature review

2.1. Institutional background

Cash-dividend regulation in China has evolved from refinancing-linked requirements toward differentiated oversight. Earlier rules linked dividend payments to refinancing eligibility. They increased firms' willingness to distribute cash but could also encourage symbolic payouts that merely met regulatory thresholds. Later rules required firms to consider profitability, development stage, and capital expenditure. Regulatory attention therefore shifted from whether firms paid dividends to whether those payouts were reasonable and sustainable.

The 2024 "Nine National Guidelines" target firms that have paid no dividends for several years or maintain unusually low payout ratios. The policy also encourages firms with stronger dividend records to increase investor returns [1]. Investors may consequently revise their expectations of regulatory costs and dividend stability across these two groups.

2.2. Literature review

Research on semi-mandatory dividend policies primarily examines firm-level consequences. Wang and Guo show that higher refinancing thresholds can compel financially constrained firms to distribute more cash, aggravating liquidity shortages and raising other unintended costs. Such thresholds can also affect the cost and structure of equity financing [2]. Cai et al. find that industrial policy suppressed cash dividends before the semi-mandatory regime but promoted them after its implementation. Supported firms may prefer to retain cash for growth, yet refinancing eligibility can induce them to increase payouts to satisfy regulation [3]. These studies establish that regulation enters both financing and dividend decisions, although they mainly observe outcomes after implementation.

Research on differentiated regulation focuses more directly on dividend quality. Zheng reports that differentiated rules increased both the propensity and level of cash payouts among A-share firms and reduced habitual non-payers [4]. Fang et al. note that distributable profit can include unrealized investment gains. Firms may therefore distribute cash against gains that have not yet generated cash inflows [5]. Qing et al. further show that binding cash-dividend requirements can induce low-dividend firms to adjust payouts and can affect trading and pricing efficiency [6]. Policy evaluation should thus consider both the source of distributed cash and post-policy behavioral changes.

Corporate-governance research further emphasizes the source and sustainability of dividend payments. Han et al. define a Ponzi dividend as an unethical cash distribution funded wholly or partly by debt principal or contributed equity rather than free cash accumulated from operating performance. Tracing the source of distributed cash is therefore central to its identification [7]. Building on the historically oriented cumulative-flow method, they propose a current-flow method and a current-stock method with present- and future-oriented perspectives. These methods identify

insufficient free cash for dividends or inadequate post-distribution cash holdings [7]. High dividend yield does not necessarily represent high-quality payout. Unsupported distributions may increase repayment pressure and harm creditors. Accordingly, this study controls for profitability, leverage, and firm size.

Event studies are well suited to evaluating short-term price reactions after policy information enters the market. Berkowitz, Lin, and Ma calculate CARs around the enactment of China's Property Law and examine heterogeneous responses across firms [8]. Zheng et al. study the same 2024 capital-market policy but jointly consider dividends, financial misreporting, and share reductions [9]. The present study isolates the dividend channel and uses pre-announcement dividend yield to explain cross-sectional differences in market reactions.

2.3. Research gap

Existing research explains how regulation affects corporate dividends, financing, and governance, and it documents heterogeneous market reactions to the 2024 "Nine National Guidelines." However, it remains unclear whether firms' pre-announcement dividend yields were incorporated into prices during the initial shock on 12 April 2024. Prior studies mainly examine changes in payout behavior after implementation. This study instead analyzes immediate cross-sectional price reactions around the announcement date. It therefore connects dividend-regulation research with event-date stock-price responses.

3. Theoretical analysis and hypothesis development

3.1. Regulatory shock, dividend levels, and market reactions

When the policy was announced, firms' future payout adjustments remained uncertain. Investors could primarily rely on disclosed dividend histories. Firms with high dividend yields and persistent payouts were more closely aligned with the policy's incentive direction [1]. Prior evidence also shows that dividend regulation affects trading and pricing [6]. These firms could therefore earn higher event-period returns.

The opposite expectation applies to firms with persistently low or zero dividends. The policy subjects these firms to stronger constraints, creating expectations of subsequent explanations or payout adjustments. Zheng et al. find that market reactions among firms with insufficient dividends weakened after detailed regulatory rules became clear [9]. CARs may therefore diverge between high- and low-dividend firms around 12 April.

Dividend yield must also be distinguished from firm fundamentals. A high yield may reflect stable payouts, but it can also result from prior price declines, limited growth opportunities, or mature industry conditions. Financial risk may increase when distributions lack cash-flow support [5, 7]. The model therefore includes Size, Lev, and ROE before estimating the association between dividend yield and CAR.

3.2. Research hypothesis

The expected market reactions of the two groups move in opposite directions. If investors compare existing payout records when the policy is announced, firms with higher dividend yields should earn higher CARs.

H1: During the announcement of the 2024 "Nine National Guidelines," the dividend yield of a listed firm is positively associated with its cumulative abnormal return.

4. Research design

4.1. Sample selection and data sources

The sample covers A-share listed firms. Daily trading data span 1 August 2023 to 10 May 2024. The 2023 financial variables include total assets, total liabilities, leverage ratio, ROE, cash dividends, and dividend yield. All data are obtained from the China Stock Market & Accounting Research (CSMAR) database.

Stock codes are standardized before trading data are matched with financial indicators. Some stocks were suspended or lacked returns in one or more event windows. Summing each firm's available days would make CARs incomparable. The sample therefore retains only firms with complete observations in all three windows. Continuous variables are winsorized at the 1st and 99th percentiles, producing a final sample of 4,211 firms.

4.2. Event study design

A regulatory signal consistent with the later policy had appeared by 15 March 2024 [9]. On 12 April 2024, the State Council formally issued the document and consolidated its cash-dividend requirements [1]. This date is therefore defined as the event date. The analysis uses $[-1,+1]$, $[-3,+3]$, and $[-5,+5]$ windows to capture possible anticipation and delayed assimilation. $CAR[-3,+3]$ is used in the baseline regression, while the other windows support robustness tests.

The sample covers the full A-share market and emphasizes cross-sectional differences on the same trading days. The analysis therefore applies the market-adjusted model. The equal-weighted mean return of all sample stocks serves as the market return, removing common movements without estimating stock-specific parameters. Abnormal return (AR) is calculated as the stock return minus the contemporaneous market return:

$$AR_{i,t} = R_{i,t} - R_{m,t} \quad (1)$$

In Equation (1), $R_{i,t}$ and $R_{m,t}$ denote the returns of firm i and the market on day t , respectively. Summing $AR_{i,t}$ within the event window yields the cumulative abnormal return of firm i :

$$CAR_i[a, b] = \sum_{t=a}^b AR_{i,t} \quad (2)$$

4.3. Variable definitions

The dependent variables are CARs for the three event windows. The core explanatory variable, DivYield, measures dividend yield. Payout denotes cash dividends per ten shares and replaces DivYield in the robustness test.

The control variables are firm size (Size), leverage ratio (Lev), and profitability (ROE). Size is the natural logarithm of total assets, while Lev equals total liabilities divided by total assets. High-dividend firms may also be larger, more profitable, or less leveraged. The regression therefore controls for these differences. Table 1 defines all variables.

Stock returns, AR, and CAR are expressed as percentages, whereas dividend yield enters the regression as a decimal. An increase from 0.01 to 0.02 represents one percentage point. Coefficients

are therefore converted into percentage-point changes in CAR.

Table 1. Variable definitions

Variable type	Variable name	Symbol	Definition
Dependent variable	Cumulative abnormal return	CAR[-1,+1], CAR[-3,+3], CAR[-5,+5]	Sum of abnormal returns within the event window
Core explanatory variable	Dividend yield	DivYield	Primary measure of cash-dividend level
Alternative explanatory variable	Cash dividend per ten shares	Payout	Cash paid per ten shares; used in the robustness test
Control variable	Firm size	Size	Natural logarithm of total assets
Control variable	Leverage ratio	Lev	Total liabilities divided by total assets
Control variable	Profitability	ROE	Return on equity

Note. Dividend yield is the core explanatory variable; Payout is the alternative payout measure.

4.4. Empirical model

The following cross-sectional regression estimates the association between dividend yield and event-window CAR:

$$CAR_i = \alpha + \beta_1 \text{DivYield}_i + \beta_2 \text{Size}_i + \beta_3 \text{Lev}_i + \beta_4 \text{ROE}_i + \varepsilon_i \quad (3)$$

In Equation (3), CAR_i is the cumulative abnormal return of firm i in the relevant window. A significantly positive β_1 indicates that firms with higher dividend yields earn higher CARs after controlling for Size, Lev, and ROE.

Two sets of robustness tests are conducted. First, CAR[-1,+1] and CAR[-5,+5] replace CAR[-3,+3] to test whether the results depend on the baseline event window. Second, Payout replaces DivYield to assess whether the findings are specific to the dividend-yield measure.

5. Empirical results

5.1. Descriptive statistics

Table 2 reports mean CARs of 0.056, 0.009, and 0.325 across the three windows. Average abnormal performance is modest, but the standard deviations and extrema reveal substantial cross-sectional variation. The slightly higher mean for CAR[-5,+5] may reflect market-style changes around the event. Mean dividend yield is 0.013, or approximately 1.31% across sample firms.

Table 2. Descriptive statistics

Variable	N	Mean	SD	Minimum	Median	Maximum
CAR[-1,+1]	4211	0.056	5.698	-15.083	-0.254	15.611
CAR[-3,+3]	4211	0.009	7.383	-19.240	-0.202	22.673
CAR[-5,+5]	4211	0.325	10.200	-23.168	-0.590	28.014
Dividend yield	4211	0.013	0.014	0.000	0.009	0.060
Cash dividend per ten shares	4211	2.076	3.028	0.000	1.000	18.000

Table 2. (continued)

Firm size	4211	22.555	1.455	20.258	22.244	27.651
Leverage ratio	4211	0.424	0.208	0.057	0.412	0.922
ROE	4211	4.428	12.186	-52.000	5.740	30.090

Note. All continuous variables are winsorized at the 1st and 99th percentiles.

5.2. Correlation analysis

Table 3 reports the pairwise correlation matrix. CAR[-3,+3] has a correlation of 0.396 with dividend yield, significant at the 1% level. CAR is also positively correlated with Size and ROE. High-dividend firms may therefore have advantages in scale or profitability. Because correlations do not separate these factors, the regression jointly includes Size, Lev, and ROE.

Table 3. Correlation matrix

Variable	CAR[-3,+3]	Dividend yield	Firm size	Leverage ratio	ROE
CAR[-3,+3]	1.000	0.396***	0.421***	0.031**	0.405***
Dividend yield	0.396***	1.000	0.329***	-0.045***	0.449***
Firm size	0.421***	0.329***	1.000	0.510***	0.161***
Leverage ratio	0.031**	-0.045***	0.510***	1.000	-0.229***
ROE	0.405***	0.449***	0.161***	-0.229***	1.000

Note. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

5.3. Group comparison

Table 4 compares firms above and below the median dividend yield. Mean CAR[-3,+3] is -2.782 for the low-yield group and 2.799 for the high-yield group. The 5.581-percentage-point difference is significant at the 1% level. Investors may have interpreted stronger payout records as lower regulatory pressure, while low-yield firms faced greater expectations of adjustment. The subsequent regression controls for differences in firm fundamentals.

Table 4. Mean CAR by dividend-yield group

Group	N	Mean CAR[-3,+3]	SD
Low dividend-yield group	2105	-2.782	7.000
High dividend-yield group	2106	2.799	6.669
High-low difference	4211	5.581***	

Note. Groups are defined by the median dividend yield. The group difference equals the high-yield mean minus the low-yield mean. *** indicates significance at the 1% level.

5.4. Regression results and robustness tests

Column (1) of Table 5 reports a dividend-yield coefficient of 80.817, significant at the 1% level. CAR is expressed as a percentage, while dividend yield enters as a decimal. A 0.01 increase in

dividend yield therefore corresponds to an approximately 0.808-percentage-point increase in CAR[-3,+3]. This difference is economically meaningful over a seven-trading-day event window.

The coefficients on Size and ROE are significantly positive, whereas the coefficient on Lev is significantly negative. Firms with stronger event-period performance thus tended to be larger and more profitable as well as less leveraged. During the policy announcement, the market priced dividend levels together with firm fundamentals.

The dividend-yield coefficient remains significantly positive when Columns (2) and (3) use alternative event windows. Column (4) also reports a positive coefficient when Payout replaces DivYield. The positive association between dividends and CAR is therefore stable across event windows and alternative payout measures.

Table 5. Regression results and robustness tests

Dependent variable	CAR[-3,+3]	CAR[-1,+1]	CAR[-5,+5]	CAR[-3,+3]
Variable	(1)	(2)	(3)	(4)
Dividend yield	80.817*** (7.493)	43.909*** (5.982)	142.112*** (10.460)	
Cash dividend per ten shares				0.284*** (0.041)
Firm size	1.933*** (0.080)	1.586*** (0.062)	2.587*** (0.112)	2.079*** (0.079)
Leverage ratio	-3.512*** (0.582)	-2.150*** (0.452)	-2.983*** (0.785)	-3.507*** (0.592)
ROE	0.153*** (0.010)	0.114*** (0.008)	0.202*** (0.013)	0.159*** (0.010)
Constant	-43.837*** (1.656)	-35.880*** (1.285)	-59.515*** (2.318)	-46.689*** (1.641)
Observations	4211	4211	4211	4211
R-squared	0.320	0.303	0.339	0.314

Note. Robust standard errors are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively. Column (1) is the baseline regression; Columns (2)-(4) report robustness tests.

6. Conclusion

Using the announcement of China's 2024 "Nine National Guidelines" as an event, this study examines the association between cash-dividend levels and short-term CARs among A-share firms. The sample contains 4,211 firms. Dividend yield is significantly and positively associated with CAR across all three event windows. In the baseline model, a one-percentage-point increase in dividend yield corresponds to an approximately 0.808-percentage-point increase in CAR[-3,+3].

The descriptive statistics, median-split comparison, and regression estimates all point in the same direction. Around the policy announcement, investors reacted more favorably to firms with stronger existing payout records. This response is consistent with the policy's differentiated treatment of low-dividend and high-quality dividend firms. Payout oversight should consider the amount distributed, earnings quality, cash-flow conditions, and debt pressure. Sustainable dividends require operating cash rather than increases induced by short-term regulatory pressure. Investors should likewise evaluate payout sources and balance-sheet capacity when interpreting a high dividend yield. Two limitations remain. The model lacks industry fixed effects and includes financial firms, whose payout and leverage structures are distinctive. The market return is an equal-weighted sample average rather than a broad index. Future research should recalculate CAR using the CSI 300 or Wind All A Index, then examine firms' subsequent dividends and performance.

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