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Analysis of Influencing Factors of UF Software Dividend Policy

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Abstract

With the rapid development of China's economy, many companies have listed one after another. Now, dividends have become an important bridge connecting the relationship between enterprises and investors (Li, 2019). A reasonable dividend policy can help shareholders to correctly understand the company's development and make decisions. Then the distribution of dividends has become an important part of the development of the company, and it is also crucial to the reputation of the company, which in turn affects the operation and operation of the company. If the company chooses the appropriate dividend policy, it will promote its own development, thus maintaining its good image; if it is not appropriate, it may cause the company to fall into a bad situation (Wang, 2016). In this context, UFIDA software is taken as an example to explain the distribution of dividends of UFIDA Software Co., Ltd., and then analyze the reasons and influencing factors, and explore various factors affecting dividend policy, and put forward relevant suggestions.

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1. Introduction

Dividend distribution policy is one of the three main contents of financial activities of listed companies, and it has always been concerned by stakeholders. Appropriate dividend distribution policies can not only establish a good image for the company, but also strengthen investors' confidence in the company's future development prospects. This can create a more relaxed internal and external financing environment for the company and enable the company to achieve long-term stable development. There are many factors that affect the company's dividend policy choices. For example, many listed companies have very serious information asymmetry problems and agency problems. In this environment, research on the dividend policies of listed companies will help listed companies improve their dividend policies. This can stimulate investors' enthusiasm for continuous investment of the company, and can establish a good image for the company. In this way, it will also help shareholders to raise risk awareness and investment awareness, and promote shareholders to make more reasonable investments (Cao, 2018). Therefore, the reasonable formulation of dividend distribution policies, so that the company's dividend distribution conforms to the company's future development direction, and meets the interests of stakeholders in the dividends, has become a severe test that listed companies need to face (Deng, 2015).

2. The Importance of Dividend Policy

The production of a company determines the distribution of profits, which in turn affects the production of the company. This is a very basic theory in economics. Whether a listed company should distribute dividends, how to distribute dividends, and how much dividend distribution will all directly affect a company's future financing capacity and operating results (Li, 2018). The company retains a certain amount of internal retained earnings as a very important source of funds to ensure the company's long-term stable development, and dividends can bring shareholders a certain period of income. Different shareholders' different preferences for dividends will directly affect a company's dividend policy, which will affect the future price of the company's stock, and indirectly affect the future development of a company (Zhi & Hu, 2014). Therefore, when formulating a dividend distribution policy, the company usually considers whether the formulated dividend distribution policy can ensure that the growth of the company's benefits is synchronized with the expansion of the share capital, and whether it will cause the company's stock price in a short period Certain impacts, and considering the impact of tax policies on dividend distribution results. The dividend distribution policy is the main content of corporate financial management. Whether or not it is distributed and how it is distributed reflects a series of institutional factors related to dividend distribution through China's capital market (Deng. & Li, 2014).

At present, a large number of companies in our country have short-term choices in the selection and formulation of dividend policies, and often they do not pay enough attention to the long-term stable development of the company. And unexpected consequences, such as rate up and down (Zhang, 2015). The main reason for this kind of problems is that listed companies are not so comprehensive in considering the influencing factors of dividend distribution policies, and have not analyzed the company's development situation with various different influencing factors. Therefore, in the context of China's special system, it is of great value and significance to study the influencing factors of the company's dividend distribution policy and the selection of the dividend distribution policy (Zhu & Chen, 2017). The research and analysis of the influencing factors of the company's dividend policy in China will not only help optimize the company's equity structure and establish a good company image, but also lay a good foundation for maximizing the company's value and the company's stable development in the future (Du & Liu, 2015). No dividend distribution policy can be applied to all companies, because different dividend distribution policies have different applicable conditions and environments. If the company chooses an inappropriate dividend distribution policy, the company's stock price will be affected to varying degrees. If a higher dividend is paid, the company's stock price will increase as a result, and shareholders will get a more satisfactory income, but this will increase the company's capital cost and the company's earnings may be affected to a certain extent. If lower dividends are paid, the company's stock price will decrease and retained earnings increase, and the company's reputation may be damaged to a certain extent. Therefore, in order to make the income and distribution of listed companies more reasonable, and to protect the actual interests of the company itself, creditors and shareholders, the company should consider the actual situation of the company and comprehensively consider various impacts when selecting and formulating a dividend policy (Liao, 2016). The company can only select and formulate a dividend distribution policy that is most suitable for the company's future sustainable development on the basis of comprehensive consideration of various different influencing factors.

3. A Case Study on UFIDA Software Dividend Policy

3.1. Basic Information of UFIDA Software Co., Ltd.

Founded in 1988, UFIDA Software Co., Ltd. is the largest management software in Asia Pacific and the leading enterprise cloud service provider in China. Through the use of UFIDA software and enterprise cloud services, China has achieved refined management and agile operations with more than 1.8 million local companies and institutions in the Asia-Pacific region. Among these enterprises, more than 60% of China's top 500 companies have successfully used UFIDA software. This company has been rated as a "Key Software Company in the National Planning Layout" for many years and is the largest ERP software supplier and financial software supplier in China.

3.2. Introduction of Dividends Issued by UFIDA Software Co., Ltd.

On May 18, 2001, UFIDA Software (stock code: 600588) was listed on China's securities market. In the past 6 years, UFIDA's cash dividend has been reduced and stabilized. Table 1 shows the dividend distribution of UFIDA Software Co., Ltd. in 2012-2017.

Table-1. UFIDA Software 2012-2017 dividend distribution.

Year	Transfer of capital reserve to share capital	Cash dividend per share (RMB)	Total cash dividends（RMB）
2012	0	0.2	192,000,000
2013	10 to 2	0.3	291,000,000
2014	10 to 2	0.3	351,000,000
2015	0	0.15	220,000,000
2016	0	0.13	190,000,000
2017	10 to 3	0.15	219,000,000

From Table 1, it can be seen that the company continued its dividend method, with cash dividends every year, and appropriately increasing stocks according to development. However, compared with the average cash dividend ratio of 60.7% from 2001 to 2012, the cash dividend ratio in recent years has dropped a lot.

3.3. Analysis of Factors Influencing UFIDA Software Co., Ltd.'s Dividend Distribution

Listed companies are usually affected by internal factors and external factors when making dividend distribution decisions, including various constraints, company internal factors, shareholder factors, macroeconomic environmental factors, inflation factors, and market maturity factors. The main factors that UFIDA Software considers when choosing a dividend policy are:

3.3.1. Various Constraints

First, Legal and regulatory constraints. UFIDA needs to make up for the current year's net profit to cover the losses of the previous year, withdraw statutory surplus reserves and arbitrary surplus reserves, and then use the remaining retained profits to distribute dividends realized in the current period. And the remaining undistributed profits are carried forward to the next year. According to the law, the statutory surplus reserves withdrawn by 10% from 2012 to 2017 of UFIDA Software were 42,657,180 yuan, 45,003,771 yuan, 45,836,669 yuan, 29,152,443 yuan, 26,910,876 yuan, and 32,939,263 yuan. The premise of UFIDA's dividend distribution policy is compliance with laws and regulations. The restrictions of laws and regulations have a certain restrictive effect on UFIDA's dividend distribution policy.

Second, Constraints on cash adequacy. In order to clearly reflect the cash financial position of UFIDA Software, we need to understand the profit statement of UFIDA Software. Related items are shown in Table 2.

Table-2. UFIDA Software's main business income and net profit for the past 6 years.

Year	Main business income（RMB）	Net profit (RMB)
2012	4,235,210,610	387,154,236
2013	4,362,690,744	568,659,075
2014	4,374,241,957	569,555,393
2015	4,451,272,019	342,992,498
2016	5,113,348,861	244,169,080
2017	6,343,658,549	560,022,557

AS is shown above, we can see that from 2012 to 2017, the main business income of UFIDA Software fluctuated from year to year, but in general, it has been increasing year by year. Net profit fluctuates greatly and is relatively less stable. The relationship between operating income and net profit is not very obvious. In particular, in 2016, with operating income of more than 5.11 billion, the net profit was only more than 240 million, which is related to the company's operating conditions in the year. Because the income from the disposal of long-term equity investment decreased by 165 million yuan year-on-year, and the government subsidy income decreased by about 24 million yuan year-on-year, these conditions caused the net profit attributable to the company's shareholders to drop significantly. The annual net profit fluctuated, which made UFIDA's cash adequacy fluctuate accordingly. Although there are still cash dividends every year, the proportion of cash dividends has fallen more compared to the stage when it was just listed.

3.3.2. Internal Factors

The dividend distribution policy of each company will be largely affected by its own earnings stability. When the company decides whether to distribute dividends and how much dividends to distribute, it must not only consider the previous surplus level, but also must consider the current operating results and future development prospects. In general, the more stable the company or the company with the more regular rate of return, the easier it is to predict and control future profits, and its own dividend payout ratio will be correspondingly higher. Information about UFIDA's earnings per share and net assets per share in the past 6 years is shown in Table 3.

Table-3. UFIDA Software's net assets and earnings per share for the past 6 years.

Year	2012	2013	2014	2015	2016	2017
Net assets per share (RMB)	3.06	3.36	3.40	3.78	3.88	3.99
Earnings per share (RMB)	0.39	0.57	0.47	0.23	0.14	0.27

AS is shown above, we can see that from 2012 to 2017, the net assets per share of UFIDA Software is increasing year by year. However, the change in earnings per share is relatively large and relatively unstable, and the relationship between the net assets per share and earnings per share is not very obvious. Especially from 2013 to 2016, when the net assets per share increased year by year, the earnings per share decreased year by year. This was mainly due to the fluctuation of net profit, which was related to the company's operating conditions and the dividend distribution policy.

3.3.3. Shareholder Factors

First, controlling factor. The purpose of shareholders' investment is mainly to hope to get more income and own a certain share of the company, but if the company distributes high dividends to shareholders, this will definitely dilute the control of shareholders. UFIDA transferred new shares in 2013, 2014 and 2017, and has carried out cash dividends for 6 consecutive years. This shows that UFIDA's business is in good condition, and it will appropriately transfer new shares according to the development situation, taking into account the interests of small and large shareholders.

Second, shareholder will. The major shareholders of UFIDA Software are mainly concerned about the stable development of the company, and look forward to long-term interests as well as the stability of their own control rights. However, the company's minority shareholders generally pay more attention to short-term interests, hoping that the company directly pays cash dividends to compensate for their investments. UFIDA Software has fully considered the vital interests of shareholders, large and small, and has cash dividends for 6 consecutive years.

3.3.4. External Factors

First, macroeconomic environmental factors. When the country's overall economic situation develops well, people's income levels will generally increase, and companies will face more choices and development opportunities. At this time, the company's development decisions are more generally manifested in less cash dividends and more retained earnings, while expanding different financing channels. Since 2013, China's economy has grown steadily and rapidly, the gap between urban and rural consumption has continued to shrink, and the level of people's consumption has generally improved. As a result, the country has proposed an "information security strategy", which provides more options and development opportunities for the software industry. Therefore, in the situation of good development prospects of the company, UFIDA Software has formulated a high dividend distribution policy, and continuously expanded financing channels in order to better raise the funds required for the company's expansion and development, and continuously reduce the cost of raising funds.

Second, market maturity factor. In more mature financial markets, cash dividends are an extremely important method of dividend distribution, while stock dividends are on the decline. Compared with the mature capital markets of other countries, China's capital market is not mature enough and needs continuous development. Other countries prefer the form of cash dividends, while stock dividends are generally used less often. UFIDA Software's dividend distribution is shown in Table 1. From the data in the Table 1 it can be seen that UFIDA Software has continued to use the cash dividend distribution plan for the past 6 years, and will appropriately increase the stock according to the company's development and operating conditions, indicating that UFIDA Software is more inclined Form of payment of cash dividends.

According to the above analysis, UFIDA does not have a particularly clear dividend policy, but the cash dividend payment rate has been relatively stable in recent years, which is close to the fixed dividend payment rate policy, while the number of stock dividends has fluctuated.

3.4. UFIDA Software Co., Ltd.'s High Dividend Policy Analysis

“Gao Pai” refers to a dividend distribution policy in which the company distributes higher cash dividends to compensate shareholders. By means of cash dividends, the total amount of the company's stocks can be avoided, which will not cause so much pressure on the company's future operations.

3.4.1. Stable and Continuous Profitability and Cash Flow

From the 6-year dividend distribution of UFIDA Software, it can be seen that the company has always adopted a higher cash dividend distribution policy. The basis of UFIDA's high cash dividend distribution is continuous and stable profitability and cash flow. The stability of profit has a very large impact on the dividend distribution policy. Judging from the operating conditions of companies that can maintain the distribution of cash dividends, most companies are companies in the industry that have relatively stable development and continued performance growth. It can be seen from Table 2 First, UFIDA Software's main business income has continued to increase in the past six years, from 4.24 billion yuan in 2012 to 6.34 billion yuan in 2017. Second, it can be seen from Table 3 and Table 1 that the company's average earnings per share in the past six years was 0.35 yuan, which is greater than the company's average cash dividend in recent years of 0.21 yuan, so the company has the ability to pay high cash.

3.4.2. Earnings per Share and Net Assets per Share

Earnings per share reflects the company's profit per share held by the company's common shareholders and the company's loss. As can be seen from Table 3, UFIDA's EPS index has been relatively high in recent years, indicating that the company's profitability is strong. Net assets per share reflect the present value of the assets held by each share. When the net assets per share is high, the present value of the assets that the shareholders can have is greater, and the company's ability to generate profits is also stronger. As can be seen from Table 3 from 2012 to 2017, the net assets per share of UFIDA Software Co., Ltd. as a whole increased year by year, indicating that the company's ability to generate profits is relatively strong.

3.4.3. Low Gearing Ratio

The important foundation of the company's high cash distribution is the relatively low pressure to repay debt. Companies with high gearing ratios will have relatively little dividends. This is because companies with high asset-liability ratios have greater pressure to repay debts, have greater financial risks, and have more cash needs. Therefore, companies with high asset-liability ratios will generally choose not to pay dividends or reduce dividends to slow the company pressure.

3.4.4. Development of the Company

Generally speaking, because high-tech companies have the courage to pioneer and innovate, such high-tech companies often choose to invest the realized profits in the development and application of new products, new processes and new technologies, and have strong capital requirements, therefore, companies tend to pay less dividends. However, UFIDA Software Co., Ltd. has carried out high cash distribution for many years, indicating that the company has sufficient funds. This is because the company can obtain a large amount of income and cash flow every year.

3.5. Summary of UFIDA Software's Dividend Policy

According to the above analysis, UFIDA Software Co., Ltd. does not have a very clear and stable dividend distribution policy. From the development of UFIDA Software Co., Ltd. in recent years, it can be known that UFIDA Software Limited's limited operating conditions are good, with sufficient cash flow and strong profitability. The development of UFIDA Software Co., Ltd. is currently in a relatively stable stage. UFIDA Software Co., Ltd. has carried out high cash dividends for several consecutive years at this stage. Although this high cash dividend distribution policy is reasonable in the short term, in the long run, this dividend distribution. The policy is not very reasonable. Continuous high-cash dividend distribution will definitely reduce the company's cash holdings. When new investment opportunities are encountered, or when the company needs to conduct technical research and development, it will definitely require a large amount of capital. At this time, the company will have to pass the issue. Equity or external borrowing to compensate for this shortage of funds will definitely increase the company's capital cost. Raising funds through the capital market, although the problems of management supervision and management's risk aversion can be eased, and the financial market increases management of management supervision, but this will still increase the company's financial risk. Bring certain pressure to the company's future development.

Hence, adjusting the form of dividend distribution, that is, some cash dividends and some stock dividends will be a relatively better choice. When the company determines the dividend distribution policy, it needs to comprehensively and comprehensively consider the influence of various factors in order to balance the actual interests of stakeholders such as shareholders, investors, and operators. So, I consider UFIDA Software Co., Ltd. should adopt a policy of low normal dividends plus additional dividends, and make appropriate adjustments according to the specific situation of the company's future development. The policy of low normal dividends plus additional dividends can not only maintain the stability of dividend distribution and meet the needs of different shareholders, but also meet the company's future investment needs and make the company's capital structure more complete.

4. Conclusion

For a joint stock company, the main content of the dividend policy is the determination of the dividend payment rate. Therefore, the dividend distribution policy chosen by the company will not only affect the stability of stock prices, but also affect the interests of shareholders and the future development of the company. The company should improve its own management level and adjust and improve its dividend distribution policy (Li. & Zhao, 2016). The company should make a more reasonable and effective analysis of the company's most reasonable capital structure based on its own development status. A reasonable and rigorous study should be made on the stability of the company's earnings, and a suitable dividend payment rate should be selected. The company should make a strict feasibility analysis of the investment project it has chosen to determine a rigorous, scientific and reasonable amount of funding. Different stages of the company's development should be recorded and analyzed in a timely manner, and continuous attention should be paid to the fluctuations of the stock market.

In short, when the company chooses to determine the dividend distribution policy, it needs to comprehensively consider the influence of various factors, not only the financial development of the company in different periods, but also the company's development strategy and planning in the next few years. Financing policies, etc., to balance the actual interests of stakeholders such as shareholders, investors, and managers. It should also consider the company's growth cycle and choose a reasonable dividend policy in a timely and appropriate manner (Chen & Yu, 2017). Only the dividend policy that is suitable for the company is the best dividend policy. The stability of the company will further increase the company's value and balance the interests of various stakeholders.

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