



Impact of Dividend Policy on Firms' Financial Decisions and Growth Strategies-Taking Maotai Company as an Example

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Abstract. Dividend policy, as a core issue in modern corporate financial decision-making, is always facing the problem of "shareholder return and corporate development" trade-off. Traditional theories, such as signaling theory and agency cost theory, disagree on the value effect of dividend policy. Existing research focuses on static analysis, ignoring dynamic adaptation and industry specificity. Taking Kweichow Moutai as a case study, this study combines EVA theory, agency cost theory and signaling theory, and employs literature research, comparative analysis and case study methodology to explore the impact of Kweichow Moutai's "high dividend + low debt" model on financial decision-making and strategic development. The results of the study show that the dividend policy is synergistic with EVA growth, the agency cost reduction mechanism is effective, and the signaling effect is significant, revealing the special characteristics of the consumer industry. The study is of great significance to corporate management, investment decision-making and policy formulation.

Keywords: Dividend Policy, Financial Decisions and Growth Strategies, Kweichow Moutai.

1 Introduction

Dividend policy, as a core part of modern corporate financial decision-making, directly affects shareholder returns, capital structure optimization and long-term corporate strategic planning [1]. As the core financial link connecting the company's earnings distribution, shareholders' return expectation and future development, dividend policy not only directly affects investors' confidence and stock price stability, but also profoundly shapes the long-term value creation ability of the enterprise through retained earnings decision, which is a key mechanism to balance short-term interests and sustainable growth.

With the development of the capital market and the diversification of investor structure, the controversy about dividend policy persists: on the one hand, traditional theories such as signaling theory suggest that firms that release dividends stably have better earnings prospects and stronger investor confidence; on the other hand, agency cost theory points out that excessive dividends may weaken the management's control over

free cash flow, and even lead to under investment [2-3]. Existing studies mostly focus on the analysis of the static effects of dividend policy, while the policy adaptability, industry specificity and the mechanism of balancing shareholders' interests in the dynamic market environment are insufficiently explored. In the Chinese market, dividend policies of different industries diverge significantly, and the dividend payout ratio of consumer firms is generally higher than that of technology firms, behind this phenomenon involves both the differences in industry life cycles and reflects the contradiction between the cost of capital and growth opportunities [4].

Taking Kweichow Moutai, a leading consumer company in China, as an example, this study examines the characteristics, effects, and sustainability of the dividend policy of Kweichow Moutai through the dividend signaling theory, the agency cost theory, and the economic value-added (EVA) theory, so as to explore how the dividend policy plays a role in the company's financial decision-making and development strategy. The study breaks through the antagonistic framework of "whether dividend policy is necessary or not" and focuses on the multi-dimensional analysis of corporate life cycle and governance structure, so as to scientifically assess the real impact of dividend policy on corporate development and provide theoretical support for the optimization of corporate governance.

2 Case Studies

2.1 Company Profile

Kweichow Moutai Co., Ltd. (stock code: 600519.SH) was founded in November 1999, located in Moutai Town, Zunyi City, Kweichow Province. The company's main business covers the production and sale of Moutai liquor and series of liquor, the manufacture of packaging materials, the development of anti-counterfeiting technology and other diversified fields, and it is a leading enterprise in China's liquor industry.

Since its listing in 2001, Kweichow Moutai has become one of the spirits companies with the highest market capitalization in the world by virtue of its unique saucy liquor craftsmanship, profound brand culture and solid financial performance, and its market capitalization once exceeded RMB 3 trillion in 2023 (the first place in the global spirits industry), making it the "No. 1 A-share market capitalization stock".

2.2 Case Study

Economic Value Added (EVA) theory is a management tool for measuring the true economic profit of a firm, proposed in the 1980s by Stern Stewart & Co. Its core idea is that a firm truly creates value for its shareholders only when it generates earnings in excess of the full cost of capital [5]. The formula for calculating EVA is as follows:

$$\text{EVA} = \text{NOPAT (Net Operating Profit After Tax)} - \text{Cost of Capital}$$

$$\text{EVA} = [\text{net income} + \text{R\&D expenses} \times (1 - \text{tax rate})] - (\text{shareholders' equity} \times \text{WACC})$$

According to the theory of Economic Value Added (EVA), this study verifies the rationality of Moutai's "High Dividend + Low Debt" financial strategy by calculating EVA and comparing the EVA horizontally: the low debt structure supports the high

dividend, and at the same time, the high dividend does not consume the value creation ability of the enterprise, and through the mode of "Low Capital Expenditure + High Free Cash Flow", it reduces financial risk and finally realizes value redistribution and optimizes the capital structure. Moutai's "high dividend + low debt" financial strategy continues to be reasonable: the low debt structure supports high dividends, while the high dividends do not deplete the enterprise's value creation capacity, and the "low capital expenditure + high free cash flow" model reduces financial risks, ultimately realizing value redistribution and optimizing capital structure.

Tables 1 and 2 show the basic dividend distribution of Kweichow Moutai Company in the past five years and the special dividend distribution mechanism established from 2022 onwards, respectively, reflecting that Moutai Company has a gene for stable and high dividend distribution: the cumulative dividend distribution in the past ten years exceeds RMB 180 billion, and the dividend payout ratio steadily improves from 17% in 2015 to 50.9% in 2019 and continues to be maintained at the level of 50% for nearly five years. Table 3 shows that EVA increased from 2.989 billion yuan in 2019 to 6.634 billion yuan in 2024, an increase of about 122%, indicating that Moutai's profits exceeded the full cost of capital; dividends increased in tandem with value creation, truly creating value for shareholders. Shareholders' equity grows from \$14.188 billion in 2019 to \$23.311 billion in 2024, indicating that the company's net assets are increasing, and the capital structure is optimized. At the same time, the growth of EVA exceeds the increase in the cost of capital, indicating that the company's profitability is increasing; Table 1 and Table 3 together show that Moutai's EVA creation covers the total amount of dividends each year, indicating that the high dividend policy does not consume the enterprise's value creation ability, but rather reduces financial risk through the model of "low capital expenditure + high free cash flow". It reduces the financial risk.

Interpreting the three tables, evidence of capital structure optimization can be found: the growth of shareholders' equity mainly comes from the accumulation of earnings, reflecting the virtuous capital cycle of "endogenous growth + high dividends". Low debt (gearing ratio 19.04% in 2024) reduces financial risk, while reducing the agency cost of free cash flow through high dividends, stabilizing investor expectations, and indirectly reducing the cost of equity financing, forming a virtuous circle [6].

Second, Kweichow Moutai's high dividend policy has gained a positive response from the market by reducing agency costs and sending positive signals, realizing the synergy between shareholders' value and the long-term development of the company, reflecting that the market has a positive response to the dividend policy of high dividends.

On the one hand, analyzed by the agency cost theory: high dividends reduce free cash flow, thus reducing management's disposable funds and restraining its opportunistic behavior to prevent harming shareholders' interests, which ultimately reduces the agency cost, and improves the efficiency of capital allocation and market confidence [7]. From 2019-2024, Moutai accumulates 177,857,000,000 yuan of cash dividends and maintains cash dividends as a percentage of net profit at about 50%. (Table 1). A special dividend distribution mechanism is introduced from 2022 to further divert funds. Meanwhile, the gearing ratio decreases from 22.5% in 2020 to 17.9% in 2023 (with a very low level of implied liabilities), and shareholders' equity increases from RMB 141.88

billion to RMB 233.11 billion (Table 3), suggesting that the company is relying on endogenous growth rather than external financing, which reduces management's discretionary use of funds [8].

On the other hand, analyzed by the theory of dividend signaling dividend policy is a company's signal to the market to convey future earnings expectations. High dividends convey management's confidence in profitability, strengthen market expectations, and attract long-term investors [9]. Moutai's dividend payout ratio has stabilized at over 50% for five consecutive years, and the special dividend mechanism has been normalized, both of which reflect the company's high level of confidence in sustainability earnings. At the same time, Kweichow Maotai Company has been included in the MSCI China A-share High Dividend Index list, reflecting international investors' recognition of its dividend policy. The growth of EVA also verifies the signal authenticity: the compound annual growth rate of EVA reaches 22.6% (2019-2024) and the growth rate is higher than the cost of capital, which proves that the high dividend is not at the expense of future growth, but is based on the real profitability.

From a comprehensive perspective, Moutai's "high dividend + low debt" model realizes a win-win situation for shareholders' value and corporate development and enhances the market's confidence in Moutai's long-term value through the virtuous cycle of "signaling + performance validation" and provides a model of dividend policy and value management for leading consumer companies. It also provides a model of dividend policy and value management for leading consumer companies.

Table 1. Kweichow Maotai's dividend policy in the past five years

Divi- dend year	Dividend program (Dividend per 10 shares/RMB)	Total Cash Divi- dends (Billion RMB)	Net Profit (Billion RMB)	Dividend Payout Ra- tio
2019	170.25	213.87	412.06	50.90%
2020	192.93	242.36	466.97	51.90%
2021	216.75	272.28	524.60	51.90%
2022	259.11	325.49	627.17	51.90%
2023	308.76	387.86	747.34	51.90%
2024	276.24	346.71	862.28	40.21%

Table 2. Special dividend for Kweichow Moutai

Special Dividend Date	2024/11/09	2023/11/21	2022/11/29
Total Dividends (Billion RMB)	300.01	240.01	275.23
Dividend Program (Dividend per 10 shares/RMB)	238.82	191.06	219.1

Table 3. EVA calculation and related accounts of Kweichow Moutai

Subjects\Time	2024	2023	2022	2021	2020	2019
R&D costs (billion/yuan)	0.695	0.157	0.135	0.062	0.05	0.049
Shareholders' Equity (Billion/RMB)	233.11	223.66	204.94	196.96	167.72	141.88
NOPAT (Billion RMB)	84.99	74.87	62.83	52.51	46.74	41.25
Cost of capital (Billion/RMB)	18.65	17.90	16.40	15.76	13.42	11.36
EVA (Billion/RMB)	66.34	56.97	46.43	36.75	33.32	29.89
Total Liabilities (Billion/RMB)	56.90	51.16	49.60	45.80	41.25	41.17
Asset-Liability Ratio	19.04%	17.98%	18.9%	20.1%	22.1%	22.5%

2.3 Recommendations

The first point is to establish a dynamic dividend mechanism, linking the dividend rate to the EVA growth rate. Assuming a 10% increase in tax burden due to the 2025 consumption tax reform, NOPAT may fall to 65 billion, EVA falls to $65 - 2800 \times 7.5\% = 44.5$ billion, the dividend rate needs to be adjusted so as to reduce the erosive effect of the tax burden on profits [10]. Therefore, it is recommended to adjust the dividend ratio dynamically: when the EVA growth rate slows down (e.g., industry cycle downturn), the dividend ratio can be moderately reduced to prioritize the protection of strategic investments (e.g., internationalization, capacity expansion).

The second point is to moderately increase R&D investment and dynamically balance short-term dividends with long-term technological upgrading. As can be seen from Table 3, R&D investment accounts for a very low percentage (only 0.21% of operating income in 2023), which may affect the long-term innovation ability, sustained profitability, market retention and expansion ability. Therefore, it is necessary to increase R&D investment and optimize the EVA calculation: increase the proportion of R&D expenses to a reasonable level in the industry (e.g., the average of the liquor industry is about 1%-2%), and deal with the amortization cycle of R&D expenditures in a more refined way in the EVA adjustment.

The third point is to strengthen the linkage between EVA and dividend policy disclosure. Explain to the market the impact of dividends on the cost of capital and long-term value and enhance investors' awareness that "high dividends $\neq$ sacrificing growth".

3 Conclusion

Focusing on dividend policy as the core issue of modern corporate financial decision-making, this study, in response to the divergence of traditional theories on the trade-off between "shareholder return and corporate development" and the neglect of dynamic adaptability and industry specificity in the existing studies, takes Kweichow Moutai as a typical case and integrates the EVA theory, the agency cost theory, and the signaling theory to systematically investigate the impact mechanism of its "high dividend + low debt" model on corporate financial decision-making and strategic development using a combination of literature research, comparative analysis and case study methods. Using Kweichow Maotai as a typical case, the study integrates EVA theory, agency cost theory and signaling theory, and comprehensively utilizes literature research, comparative

analysis and case study methodology to systematically investigate the impact mechanism of its "high dividend + low debt" model on corporate financial decision-making and strategic development. The study finds that the model effectively builds an agency cost reduction mechanism through the synergistic effect of dividend policy and EVA growth, and at the same time demonstrates a significant signaling effect, which profoundly reveals the key role of industry characteristics in the practice of dividend policy. This study not only adds industry-specific explanations to the theoretical system of dividend policy in dynamic situations but also provides a reference framework with both theoretical depth and practical value for enterprises to optimize their financial decision-making structure, investors to formulate value assessment models, and policy makers to improve the rules of market regulation through case studies.

To address the lack of cross-industry comparisons in this study, it is necessary to expand the coverage of industry samples in the future to explore the logic of dividend policy differentiation between technology-based and consumer-based firms; and to address the heterogeneity of shareholders, it is necessary to analyze the difference in the impact of high dividend payouts on the value of different types of shareholders (e.g., institutional investors and individual investors) in the future. To address the shortcomings of the high-dimensional holistic analysis of this study, it is necessary to focus on the dynamic matching of macroeconomic cycles and corporate life cycles in the future and deepen the interdisciplinary research on the adaptive evolution mechanism of dividend policy.

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