Accepted Manuscript

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PII: S1044-0283(18)30030-9
DOI: doi:10.1016/j.gfj.2018.05.005
Reference: GLOFIN 436

To appear in:

Received date: 30 January 2018
Revised date: 16 May 2018
Accepted date: 20 May 2018

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Abstract: Using a sample of Swedish publicly listed firms between 1970 and 2013, we examine whether payout policy differs between industrial and financial firms. Specifically, we investigate whether payouts and their composition (primarily dividends and stock repurchases) differ between firms. We find that dividends are the major vehicle in distribution earnings to shareholders and also that payouts are more frequent for financial than for industrial firms. Stock repurchases have not replaced dividends in Sweden. The total payout ratio, including dividends, stock repurchases, and other forms of cash distribution to shareholders relative to earnings are roughly the same for industrial and financial firms. Financial firms are more reluctant to cut or omit dividends than industrial firms. Next, we examine dividend smoothing and find that, although both industrial and financial firms smooth dividends, they tend to smooth less during the last two decades as indicated by an increase in the speed of adjustment (SOA).
Keywords: Payout policy; dividend smoothing; Sweden

JEL Codes: G35

Acknowledgments: The authors appreciate the helpful comments from the discussant Xin Che, Greg Nagel, and conference participants at the 2016 Eastern Finance Association Annual Meeting in Baltimore as well as from Andreas Lundell, Krister Modin, Jay Ritter, and Jonas Råsbrant. We are grateful for excellent computer support from Per Carleberg. We also thank Cecilia Ericson at the National Library of Sweden (KB) for help with collecting the annual reports. We also thank Alice Bonaime for her helpful comments. We take full responsibility for our results.

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