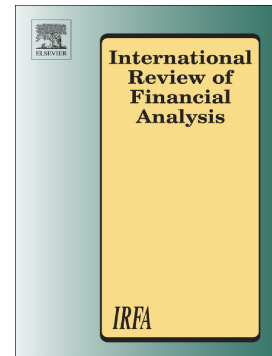


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Dividend premium: Are dividend-paying stocks worth more?

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ABSTRACT

This paper reports that the relation between dividend payout and firm value is positive. Panel data regressions suggest that the dividend premium for firms' equity is 17.4% and the dividend premium for firms' assets is 7.1%. The tests using propensity score matching methodology report a lower – but still positive and statistically significant – dividend premium: 12.5% for equity and 6.1% for assets. Thus, stock prices of dividend payers are greater by 12.5% or 17.4% on average (depending on methodology) compared to those of nonpayers. We find that policy-related economic uncertainty and the proportion of firms paying dividends explain more than half of the variation in dividend premium for assets.

Keywords: Dividend premium; Dividend policy; Firm value.

JEL classification: G32; G35.

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