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The Impact of Dividend Policy on Financial Performance in China

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Abstract: *This study focuses on the relationship between dividend policy and corporate financial performance, mainly discussing the relationship between cash dividends per share, earnings retention ratio and ROA, using a sample of listed companies in China to conduct the study and provide relevant suggestions for the subsequent development of the company.*

Keywords: *dividend policy, financial performance, Chinese firms*

1. Introduction

Enterprises play an important role in economic growth in both developing and developed countries. Enterprises help to achieve national and regional sustainable development goals by stimulating sustainable development and innovation, creating job prospects, reducing income inequality in developing countries and promoting sustainable industrial development. Enterprises are growing rapidly and becoming increasingly important, and are becoming one of the main tools for driving a country's political, economic, social and financial growth, while there are also many economically disadvantaged regions in developing countries, and enterprises are then a major component of poverty reduction and wealth creation in these regions.

Corporate dividend policy has attracted the interest of domestic and international economists and has been receiving continuous attention. Theoretical studies on corporate dividend policy have shown that corporate dividend policy is important to both shareholders and operating financial performance. Dividend policy can lay the foundation for a company's long-term growth and motivate its shareholders to keep investing[1].

Research on a company's dividend policy is highly empirical in nature. This study will develop three models to examine the relationship between a company's dividend policy and its financial performance[1]. The study shows that both retained earnings and cash dividends per share of a company have a positive effect on financial performance[2].

The current research is unclear on the relationship between dividend policy and the financial performance of firms in China. Given the limited number of questions and studies available, the researcher focused the samples of firms in the China region for in-depth exploration, and although the study was limited to the China region, where each country has its own culture, government and characteristics, for similar countries operating within similar geographic environments of firms in similar geographic environments may have consistent behaviors. Further research in this new context is therefore useful for the development of the financial performance of the firms [3].

The interests of the company are primarily described through financial performance, thereby promoting the interests of employees and shareholders. The financial performance of a company is fed back in the form of financial reports, which primarily reflect the actual profitability of the company's operations. The financial performance of a company reflects the performance of a company at that stage and is of vital importance to employees, customers and investors. The accounting information obtained is a reflection of the actual situation of the company. Sound financial performance is vital to stakeholders such as creditors, suppliers, employees and customers. Financial performance is the performance of a company over a period of time. It reflects the financial position of the company. A company's financial performance is one of the key areas of concern for managers, practitioners and academics[2].

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In the case of stated profits, the payment of cash dividends reduces the discretionary cash available to managers, which helps to force the firm to raise funds from the capital market. Therefore, the intention of shareholders to managers can be dispersed to a certain extent, that is, to reduce agency costs, so as to reduce the moral hazard of managers and encourage them to work hard for the maximization of shareholders' wealth and the level of shareholders' interests [1]. Therefore, these studies point out that dividend policy and financial performance are positively related, but how they are affected in the Chinese market, it is not clear how they are related in the Chinese market, so it is necessary to conduct this study.

With rapid economic, political, environmental and social changes. The study of dividend policy has to change in real time. Previous studies point to the relationship between the model of dividend policy and financial performance. The purpose of this study is to investigate the relationship between dividend policy and financial performance by developing a model to support the findings[1].

There are many studies on dividend policy, with many researchers previously conducted on a single country or region, or on family-owned firms and multinational corporations, for example. Studies point to a more pronounced correlation between dividend policy in financial crises, which suggests that firms have an incentive to expropriate more resources in crises than in normal times. It is therefore necessary to study dividend policy for the development of firms. The significance of this study comes from the nature of the market itself, which is considered to be a developing market. The results of the study could help policymakers and investors understand dividend policy.

2. Literature review

Since Miller and Modigliani proposed the theory of irrelevant dividends, dividend policy has formed an area of research worth exploring. The assumptions of the study are that the market value of a given company depends only on investment decisions and profitability. And the fact that the conditions of the hypothesis cannot always be met means that the market cannot be perfect [1]. The significance of this study comes from the nature of the market itself, which is considered to be a developing market. The results of the study could help policymakers and investors understand dividend policy [4].

A dividend is a distribution of a company's profits to investors based on their investment. Dividend policy has a lot to do with the redistribution of the company's profits. The dividend policy is also related to the distribution of the company's shares, buy-backs and the amount of profits. It encompasses the financial structure of the company, its investment behaviour and the allocation of capital. Dividend policy is therefore closely related to the development and growth of the company [5–11].

Retained earnings are a necessary source of funding for the growth of a company. The greater the retained earnings of a company, the smaller the profit available for distribution. An important point in the study of dividend policy is the profit sharing aspect of retained earnings. In general, dividend policy is still primarily about distributing profits and, to a lesser extent, reinvesting them [5].

The dividend signal theory is one of the earliest classical theories of dividends. Lintner (1956) established a dividend adjustment model, arguing that listed companies tend to maintain a stable dividend payment, and their target dividend policy will be adjusted only when the listed company's future earnings level changes significantly, indicating that cash dividends can convey the information of future surplus changes, which This laid the foundation for the study of dividend signalling theory. NissimandZiv(2001) verify that changes in cash dividends are closely related to changes in earnings over the next two years, confirming the signalling theory. (1983) finds from a sample of dividend increases that both increases in regular dividends and increases in specially marked dividends are important means for managers to signal the market, and that regular dividend increases contain more positive information; Jensenetal. (2010) finds from a sample of dividend decreases that decreases in dividends signal a decline in the firm's HealyandPalepu (1988) find from a sample of initial versus interrupted payments that investors use initial versus interrupted payments as a signal that the firm's growth opportunities have declined (even if earnings have rebounded somewhat) and thus the market gives a negative sentiment response. as information about managers' forecasted earnings, thus demonstrating a strong signalling effect by reacting to earnings in advance in the dividend proposal announcement [12]..

There is also some literature on dividend signalling theory in terms of signalling costs and transmission noise. In terms of signalling costs, it is pointed out that listed companies incur certain costs when paying cash dividends, and it is the existence of such costs that makes it difficult for quality

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listed companies to imitate the signalling through cash dividends. The costs of signalling arise mainly from increased reliance on external financing, loss of investment opportunities and taxes on dividends (Bhattacharya, 1979; MillerandRock, 1985; Joh nandWilliams, 1985). Thereafter, Allenetal. (2000) found from the relationship between dividend distribution and institutional investor participation that high quality listed companies pay cash dividends in order to attract institutional investors, while low quality companies are reluctant to do so. The reason for this is that the participation of institutional investors reduces the level of information asymmetry and allows their true level of earnings to be revealed, which is also seen as one of the costs of signalling. In terms of signalling noise, the researcher argues that dividends are subject to a number of noises that interfere with signalling and lead to biased signalling. Such noise includes agency conflicts between managers and owners (Kumar, 1988), managerial overconfidence or forecasting errors (DeAngeloetal., 1996), insider trading (JohnandLang, 1991) and the large shareholder tunnel effect, among others (Dengetal., 2017).

Some current research has not agreed on a definition of financial performance, but there is a wealth of research on financial performance, including strategic business management, organisational behaviour and corporate governance. Venkatraman and Ramanujam (1986) studied corporate performance and how it is measured, and they concluded that corporate performance can be divided into three areas: corporate effectiveness, operational performance and financial performance. Business effectiveness is the broadest concept, taking into account the internal factors of the business as well as the various impacts of stakeholders. Operational performance is non-financial and is the antithesis of financial performance. Operational performance includes indicators such as product quality, market share and new product development rates that reflect the company's production operations and technology development, which ultimately affect the company's financial performance to some extent. In addition to these indicators, they also include measures of customer satisfaction and ES. Some scholars have also pointed out that in the field of CSR, the financial performance of enterprises is often confused with corporate performance, but strictly speaking, the scope of corporate performance is larger than that of financial performance, which refers specifically to the achievement of economic goals [13].

Corporate financial performance indicators include market indicators based on capital market transaction data and accounting indicators. Market indicators such as Tobin's Q and stock returns reflect investor expectations, while receiving information on corporate social responsibility and capital market effectiveness, which can lead to changes in a company's stock value. Usually we talk about accounting indicators that mainly including return on net assets, return on total assets and return on main business word length, which all reflect the profitability of enterprises. Accounting earnings indicators are not only limited to the shareholders' perspective when compared to market earnings indicators, but take into account the entire operating performance of the firm [14].

Firms that use market indicators as a measure of corporate financial performance must ensure that the market is efficient, meaning that the capital market is efficient [15]. Some studies have pointed out that the stock valuation of a firm changes when information about its social responsibility is transmitted to the capital market, which has led many scholars to initiate research on the relationship between CSR and financial performance [12]. However, the premise of causing a change in corporate valuation is that this information that a company is going to fulfil its social responsibility must be up-to-date and that the company's share price can change in the short term. Therefore, it has been argued that the use of market earnings indicators as a variable study of financial performance is more appropriate in an event study approach to research. Griffin and Mahon's analysis found that the most commonly used market earnings indicators used by academics were the beta coefficient and excess returns. Mc Guire et al. used CSR to develop correlations with contemporaneous and late values of market and accounting earnings indicators respectively. The study found no significant relationship between CSR and market earnings indicators, while CSR was highly correlated with accounting earnings indicators.

Researchers often replace financial performance with financial sustainability or some others [16]. A company has a well financial performance if it is profitable enough to remain in operation [17],meaning that financial performance is an organisation's ability to earn income with corresponding reserves to sustain itself [17].

The dependent variable is the financial performance of firms. In many studies, researchers often replace financial performance with financial sustainability and financial stability [16]. Financial performance is defined as the ability of an organisation to zone enough income to pay off all its debts while still maintaining itself [17]. A business is proven to be financially stable if it is said to be able to earn enough profit to a business has enough profit to avoid bankruptcy and stay in operation [17]. Therefore, the findings of Lim state that the company is sustainable and stable, then it is financially

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sound and enterprise owners measure the financial status of the business itself through the financial sustainability and stability of the business.

This study is based on dividend policy and CSR to examine the impact on financial performance. Considering that the rate of return indicator affected by surplus management, this paper uses the return on total assets from main operations (profit from main operations/total assets) as a measure of financial performance. To ensure the robustness of the results in this paper, the latter uses the return on total assets for robustness testing [18].

Research has shown that many researchers are most interested in studying what are often less common criteria, such as share price, investment and output ratios. Research has identified three main types of end-state indicators that indicate financial performance (a) market approaches; (b) perception (survey) measures (c) internal accounting approaches, such as ROA, ROE and ROS. The most commonly used metrics to measure financial performance as indicated by the study are found in this Table 1.

Table 1: Financial Performance indicators

Accounting-based	Market-based	Perceptual
ROA: Return on Assets ROE: Return on Equity ROS: Return on Sales Income Net Operating Income	Share Price Mutual Fund Returns Change in Stock Returns	Fortune Magazine Rankings Management Surveys

Source: Galant & Cadez, 2017; Mcvay & Whitney, 2020; Peloza, 2009

Financial indicators are critical to measuring the financial performance of a business for several main reasons. Firstly, if there is a business that wants to invest in financial performance, a choice must to be made before deciding to invest, usually from a variety of options, so that there are some criteria to measure these alternative measures. Secondly, the financial performance of a company is often scrutinised by audits, and many projects are not quantifiable in terms of financial performance, so arguments need to be made, so some indicators are needed to develop the arguments. Finally, managers need to measure the inputs and outputs of the business, and to measure financial performance using indicators that can be used for later investment planning. In conclusion, companies need to measure financial performance, and this requires a clear system of indicators.

3. Methodology

Dividend policy is the payment of profits to the holders of a company, which includes the company's payment provisions and guidelines. The theoretical exploration of the relationship between dividends and financial performance was proposed early on by researchers who argued that there was no relationship between a company's financial performance and dividend policy, depending on the underlying development of the company[5]. At the same time, some researchers have pointed out that the relationship between a company's financial performance and dividend policy is complex and not homogeneous, with some studies pointing to a positive relationship, others pointing to a negative relationship, and still others pointing to no relationship[19]. However, most of the studies still point to a positive relationship between dividend policy and financial performance.

This study aims to examine the impact of dividend policy and firm financial performance. There are several studies in the literature that address dividend policy and financial performance interactions. Meanwhile, J. M. Li & Wang pointed out that dividend policy has a impact on the financial performance of a firm. There is a complex relationship between the two, and this study focuses on cash dividends before tax per share and earnings retention ratio.

H1: Dividend policy has a positive relationship with financial performance.

H1a: Cash dividends per share before tax has a positive relationship with financial performance.

H1b: Earnings Retention Rate has a positive relationship with financial performance.

The researchers interpreted and designed the expected outcomes through a quantitative research approach using correlation, experimental and quasi-experimental [20]. Researchers typically use experimental methods to derive relationships between variables and explain changes in variables through the results of the relationships. In fact, models set up through quasi-experiments are able to test hypotheses in research. Researchers explore the relationship between independent and dependent

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variables by designing experiments for their studies. And Saunders et al. (2016) study argued that researchers do not only need to verify the relationship between variables through experiments, but also use correlational designs to verify the strength of significance of concern between variables. Therefore, this study is primarily using a correlational design approach as this study is primarily concerned with more than just determining causal relationships. According to Omair (2015), in a study, the researcher needs to design research questions to construct the type of design. In this research, the researcher posed research questions to investigate the relationship between two independent variables, one mediating variable and one dependent variable.

The researchers reviewed three different quantitative study designs. First, the researchers considered a descriptive quantitative design. Using a descriptive design, investigators describe and explain the status of variables, environments, conditions or events. Moreover, in this design, the researcher examines naturally occurring phenomena of research interest. The descriptive study design does not assess whether there is a relationship between study variables. Thus, descriptive research designs are not appropriate for determining the association between dividend policy and ownership concentration.

The second design considered is the experimental study design, which is collective and laboratory research. Researchers use a scientific approach to study causal relationships between variables. When experimental studies are conducted, the dependent variable is manipulated. Participants were randomly selected for experimental treatment rather than being assigned to a naturally occurring group. The experimental design is not applicable to the researcher's study because the researcher intends to use preexisting econometric models to examine the relationship between dependent and independent variables. Moreover, the researchers did not consider cause and effect.

The third design is the survey design, in which the researcher asks a group of respondents specific questions to describe the opinions, experiences, behaviors and attitudes of the study population. There was no specific sample selection technique in the survey design to ensure optimal representation. Due to the nature of the data used in this study, the survey design is not an appropriate design that can be used.

Researcher selects listed companies in China's Shanghai and Shenzhen stock markets from 2010-2021 as the research sample, and the data for the study is obtained from and CSMAR database. Dividend policy and financial performance data were obtained from the CSMAR database. The data collected were processed as follows: (1) exclude financial companies such as banks, securities and insurance; (2) exclude listed companies that were ST/PT during the period; (3) exclude companies that may have undergone mergers based on the growth rate of total assets greater than 100%; (4) exclude companies with abnormal data such as dividend payout ratio, owner's equity and negative balance sheet ratio; (5) conduct a continuous variable analysis at the 1% and 99% quartiles. Finally, a total of 19,032 sample data from 3,376 listed companies were retained. The software stata16.0 was used for statistical analysis.

4. Findings and Discussion

In this study, the dividend policy of the company is selected as the other independent variable in this study, and the pre-tax cash dividend per share and the earnings retention ratio are selected as the objects of the study, which are portrayed in two ways in this chapter: (1) the pre-tax cash dividend per share is calculated as cash dividend per share = total pre-tax dividend / number of common shares = (total pre-tax cash dividend - pre-tax preferred share dividend) / number of common shares outstanding, denoted as DIV1; (2) the earnings retention ratio, which is calculated as: (profit after tax - dividend payable / profit after tax), denoted as DIV2. This ratio indicates how much of a company's after-tax profit is used to pay dividends and how much is used to retain earnings and expand operations. The higher the ratio, the better the company is doing, and conversely, the worse it is. In layman's terms, the earnings retention ratio is the percentage of a company's after-tax profits that are retained in the business. The higher the after-tax profit retained, the more the company is not paying out massive dividends but is using the profits to grow the business, and a side note that the company is controlling its costs well and operating effectively.

The descriptive statistical analysis of the dividend policy of this study is shown in Table 2 below, where DIV1 represents the pre-tax cash dividend per share of the firm and DIV2 represents the earnings retention rate of the firm. The mean value of cash dividends before tax per share of enterprises is 0.173, the standard deviation is 0.255, the minimum value is 0.0008 and the maximum value is 10,

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indicating that there is a large difference in cash dividends before tax per share between enterprises and that the distribution of pre-tax dividends per share of enterprises in China needs to be improved. The mean value of earnings retention rate of enterprises is 0.593, the standard deviation is 1.265, the minimum value is -106.4 and the maximum value is 0.994, indicating that the earnings retention rate varies greatly between enterprises and is mostly negative, and the earnings retention rate of enterprises in China needs to be improved.

Table 2 : Descriptive statistical analysis

VARIABLES	N	mean	sd	min	max
DIV1	19,032	0.173	0.255	0.0008	10
DIV2	19,032	0.593	1.265	-106.4	0.994
year	19,032	2,016	3.060	2,010	2,021
Size	19,032	22.30	1.321	19.20	28.64
Lev	19,032	0.404	0.195	0.00708	0.953
ROA	19,032	0.0594	0.0471	1.90	0.880
ROE	19,032	0.101	0.0734	4.10	1.280
Growth	19,032	1.125	108.7	-0.882	14,883
Top1	19,032	0.355	0.150	0.0220	0.894

With reference to Wei et al. (2017) and Wang Guojun et al. (2014), this study also needed to include control variables for the study, mainly controlling for two aspects: company characteristics and equity characteristics. The selected control variables include: firm size (Size), growth (Growth), shareholding of the largest shareholder (Top1), capital structure (Lev) and year (Year), with specific variables calculated with reference to the following table 3.

Table 3 : Variable Name List

Variable Codes	Variable name	Variable Meaning
ROA	Total Return on Assets	Net profit/year out and average year-end total assets
ROE	Return on Net Assets	Net profit/average of net assets at the beginning and end of the year
DIV1	Cash dividends per share before tax	Total dividends before tax / number of ordinary shares
DIV2	Earnings Retention Rate	(Profit after tax - dividends payable)/Profit after tax
Size	Company size	Natural logarithm of total assets
Lev	Capital structure	Total liabilities/total assets
Growth	Growth	(Total assets for the year - total assets for the previous year)/total assets for the previous year
Top1	Percentage of shareholding of the largest shareholder	Number of shares held by the largest shareholder/total share capital
Year	Year	2010-2021

In this study, considering the characteristics of the selected dependent variable, the financial performance of the firm, including ROA, and the characteristics of the independent variables, CSR and dividend policy, the Logit model was selected for the validation of CSR, dividend policy and financial performance, and the Tobit model was selected for the validation of the level of cash dividend payment in the specific construction of the model, which was constructed as follows.

Based on the study of the impact of dividend policy on corporate financial performance, the following model was constructed:

$$ROA=\alpha_3 DIV_1 + \sum_{n=5}^{n} cv+\varepsilon;$$

$$ROA=\alpha_4 DIV_2 + \sum_{n=5}^{n} cv+\varepsilon.$$

In the above model, ROA represents the financial performance of the firms studied, DIV_1 is the pre-tax cash dividend per share, DIV_2 is the earnings retention rate of the firm, cv is the control variable and ε is the random disturbance term.

Table 4 shows the results of the regression analysis of corporate financial position and dividend policy, where the table below analyses the results of the regression analysis representing cash dividend before tax per share (DIV1) as the independent variable and financial performance represented by ROA, from which it can be seen that the variable reflecting dividend policy cash dividend before tax per share (DIV1) and ROA, an indicator of corporate finance, are significantly positively correlated at the 1% level of significance The results of the regression analysis show that the variable of dividend policy

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(DIV1) and the indicator of corporate finance (ROA) are positively correlated at 1% level of significance. The regression results indicate that an increase in the level of cash dividend before tax per share can enhance the total net profit margin (ROA) of listed companies and improve the level of financial performance.

Table 4: Regression analysis

VARIABLES	ROA
DIV1	0.079***
	(9.60)
Size	0.004***
	(3.25)
Lev	-0.051***
	(-9.20)
Year	-0.003***
	(-11.38)
Top1	-0.003
	(-0.34)
Growth	0.000***
	(3.89)
Constant	5.319***
	(11.78)
Observations	20,507
Number of stkcd	3,651
R-squared	0.195
Company FE	YES
Year FE	YES

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 5: Regression analysis

VARIABLES	ROA
DIV2	0.003***
	(2.95)
Size	0.009***
	(5.87)
Lev	-0.074***
	(-12.04)
Growth	0.000*
	(1.93)
Top1	0.017**
	(2.10)
Year	-0.002***
	(-10.09)
Constant	4.894***
	(10.28)
Observations	20,507
Number of stkcd	3,651
R-squared	0.070
Company FE	YES
Year FE	YES

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Tables 5 show the results of the regression analysis of corporate financial position and dividend policy, where the table below analyses the results of the regression analysis representing earnings

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retention ratio (DIV2) as the independent variable and financial performance represented by ROA, from which it can be seen that the variable earnings retention ratio (DIV2), which reflects dividend policy, and ROA, an indicator of corporate finance, are significantly positively correlated at the 1% level of significance. The regression results indicate that an increase in the retention rate of earnings can enhance the total net profit margin (ROA) of listed companies and improve the level of financial performance.

The researcher will verify the robustness of the research results in terms of sample self selection by remeasuring the persistence of firms' financial performance using ROE and conducting regression analysis again. Table 6 and 7 reports the results of the relevant regression analysis, from which it can be seen that firms' dividend policy and ROE are significantly related at 1% significance level, indicating that firms' dividend policy can increase the level of ROE of firms. Therefore, the above study proves that the previous findings on ROA are robust.

Table 6 : Regression analysis

VARIABLES	ROE
DIV1	0.126***
	(8.85)
year	-0.004***
	(-6.14)
Size	0.010***
	(4.33)
Lev	0.051***
	(5.22)
Growth	0.000***
	(12.45)
Top1	0.006
	(0.40)
Constant	7.370***
	(6.14)
Observations	19,032
Number of stkcd	3,376
R-squared	0.157
Company FE	YES
Year FE	YES

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 7 : Regression analysis

VARIABLES	ROE
DIV2	0.004***
	(2.93)
year	-0.003***
	(-4.74)
Size	0.016***
	(6.51)
Lev	0.016
	(1.47)
Growth	0.000***
	(9.87)
Top1	0.035**
	(2.50)
Constant	6.097***
	(4.63)
Observations	19,032
Number of stkcd	3,376
R-squared	0.059
Company FE	YES
Year FE	YES

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Test of hypothesis: In the second hypothesis of this study, it is hypothesised that dividend policy

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has a significant positive impact on financial performance. In the study of dividend policy, this study focuses on the two indicators of cash dividend before tax per share and earnings retention ratio, which are denoted by DIV1 and DIV2 respectively. From the above table, it can be concluded that there is a significant impact between cash dividend before tax per share and the financial performance of a company, and an increase in cash dividend before tax per share can promote the financial performance of a company, therefore, it is verified that cash dividend before tax per share has a significant positive impact on financial performance. From the table, it can be concluded that there is a significant impact between earnings retention rate and the financial performance of the company, and the increase of earnings retention rate can promote the financial performance of the company, therefore, verify that earnings retention rate has a significant positive impact on your financial performance. The two indicators in hypothesis 2, DIV1 and DIV2, both have a significant positive impact on financial performance, therefore, hypothesis is validated.

5. Conclusion

The dividend policy of a firm has a significant positive impact on financial performance, the pre-tax cash dividend per share of a firm has a significant positive impact on the financial performance of a firm, and the earnings retention rate of a firm has a significant positive impact on the financial performance of a firm. This study examines the dividend policy of a firm and financial performance. The study found that cash dividends before tax and earnings retention per share have a positive impact on the financial performance of the firm, reducing agency costs and improving the financial performance of the firm. The return on equity reflects the overall effectiveness of a company's capital operations and can be used as a comprehensive indicator to evaluate the level of remuneration received by a company.

The higher the return on equity, the more revenue the company generates, and the greater the revenue generated for the company's investors. It reflects the level of management's asset management and financial control, and is a good indicator of the profitability of a company. It is a good indicator of the profitability and growth potential of a company, and helps companies to analyse their position in the industry and how they compare to others. It helps companies to evaluate their performance in a scientific and rational way and helps them to analyse their business performance in depth. For Chinese companies, the dividend policy can be used to improve the financial performance of the company and thus promote the development of the company, which is a good reference for the development of other companies in China.

With regard to the development of dividend policy, companies still need to promote their pre-tax cash dividend per share and earnings retention rate, thereby promoting their long-term financial performance and facilitating their development. The first step is to continuously develop sales channels to further increase the sales revenue of the enterprise. Enterprises can firstly optimise and adjust their product quality and services according to market development needs to ensure that they can meet market and customer demands, and at the same time need to formulate sales policies that are integrated with market development and adopt different sales approaches for different products to ensure the sales revenue of enterprises. Secondly, the implementation of comprehensive cost management to effectively reduce the cost of the enterprise. Reducing the cost of an enterprise is the main way to improve the return on net assets, and enterprises can achieve this through the implementation of comprehensive cost management. The main implementation of comprehensive cost management in enterprises can be summarised as follows: ① Construct a scientific and perfect cost control mechanism. Establish the advanced concept of full cost management; constantly innovate the mechanism of budget management, emphasising the important role of cost budget; strengthen the work related to cost analysis, thus providing more reliable data support for enterprise decision-making; make full use of the enterprise's own advantages, strengthen the communication and collaboration between various departments, explore and innovate the cost analysis methods, compare the various indicators of the enterprise in a comprehensive manner, and timely find Cost management problems, to ensure the effect of comprehensive cost management, to provide support for enterprise decision-making. ②Emphasis on cost control of key projects, such as supply chain management, on-site cost management, etc. ③ Concretely implement the circular economy policy, continuously optimise the enterprise's industrial chain portfolio and improve the efficiency of the enterprise's resource utilisation. Then moderate control of the enterprise's debt ratio and maintaining a certain level of liquidity are conducive to increasing the return on net assets. It should be noted that a high debt ratio is not the best, if it is too high, then it will have a direct negative impact on the net profit of the enterprise. Therefore, it is

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necessary to maintain a stable debt ratio and maintain a certain level of liquidity to ensure a healthy and virtuous cycle of operation.

The researcher also examines the study of corporate dividend policy and financial performance, through which it is found that corporate pre-tax cash dividends per share and earnings retention rate have a positive impact on corporate financial performance, reducing agency costs while also improving corporate financial performance. The return on equity reflects the overall effectiveness of a company's capital operations and can be used as a comprehensive indicator to evaluate the level of remuneration received by a company.

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