

When do mature firms skip dividends?

Haroon Hussain*

*Noon Business School, University of Sargodha
Sargodha, Pakistan*

Rohani Md-Rus[†]

*School of Economics Finance and Banking
Universiti Utara Malaysia, Malaysia*

Hamdan Amer Al-Jaifi[‡]

*Taylor's Business School
Taylor's University, Malaysia*

Rana Yassir Hussain[§]

*School of Management
Jiangsu University China/Department of
Economics and Business Administration
University of Education, Lahore, Pakistan*

Received: 28 March 2021; Accepted: 2 May 2021

Published: 28 May 2021

Abstract

This study examined that if efficient firms at their mature stage of life cycle may skip dividends. For doing so, this study investigated the direct and indirect impacts of firm efficiency on the dividends. To calculate the firm efficiency, data envelopment analysis (DEA) was used and for analyzing the data, logistic regression models were used. This study uses data of 1010 firm year observations of the firm's listed Pakistani non-financial firms over the period 2011–2015. Findings of this study indicated that the probability to pay dividends is high in the firms having high level of efficiency. Likewise, probability to pay dividend is high in the mature firms as compared to the growth firms. However, efficient and mature firms may skip the dividends. These findings present an alternative view on the signaling and life cycle theories of dividends in that the mature firms having

*Corresponding author.

Email addresses: *ranaharoonhussain@gmail.com, [†]rohani@uum.edu.my, [‡]hamdanameri.al-jaifi@taylors.edu.my, [§]yassir.hussain@ue.edu.pk