

**Dividends and Firm Value:
New Evidence from A Science and Technology Innovation Board**

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Keywords: *Dividends, market reactions, innovation, R&D, controlling shareholder.*

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Abstract

Do dividends increase firm value for innovative firms? Using listed firms on the Science and Technology Innovation (STAR) board in China, we find that dividend increases result in negative price reactions. This effect becomes more pronounced when firms have greater growth opportunities or more powerful controlling shareholders. Examining the information content of dividends, we find that dividend increases of STAR-board firms do not predict higher future earnings or result in analysts' positive forecast revisions. Instead, higher dividends damper firms' future R&D investments, therefore harming firm value. Our results suggest that, for innovative firms with rich growth options, dividends decrease firm value.

Keywords: Dividends, market reactions, innovation, R&D, controlling shareholder.

JEL classifications: G350, G320, O32.