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Does Shareholder's Share Pledge Induce High Stock Dividends?

—An Empirical Test Based on the Data of GEM Companies

Hui Shen

School of Economics, Jinan University, Guangzhou, China
Email: 18320723376@163.com

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Abstract

The high delivery of listed companies is a unique way of dividends. Although there is no change in the company's operating capacity, it always attracts market attention and causes stock prices to rise in the short term. However, this kind of non-substantial dividends often masks. The major shareholders of listed companies reduced their holdings to cover the lifting of bans and other benefits. As a refinancing method for listed companies, equity pledges require the stability of stock prices due to the existence of passive liquidation lines, especially in the process of market volatility and continuous shift of focus. This paper first summarizes the previous studies on the behavior of high dividends, and uses the GEM as the background, using the data from 2015 to 2018, based on the previous research, adding the factor of equity pledge, using the Logit model to study nearly three The impact of the equity pledge rate of the listed companies on the GEM on the probability of the "high-delivery" dividend policy announced by major shareholders was attempted to make recommendations for the newly introduced "high-stock dividends new regulations".

Keywords

High Stock Dividends, Equity Pledge, Transfer Policy

1. Introduction

The situation of hyping high stock dividends is not uncommon in A-shares. It is a unique phenomenon of dividends among listed companies in China. During the annual report and annual report announcement period, regardless of the overall market conditions, some companies will continue to hit limit up because of the "high stock dividends". And the stocks with the leading gains may gain

300% from the rush to the right-filling stage, and often can form a sector linkage, driving the number of high-selling concept stocks to rise. What's more, after a listed company announces a high stock dividends plan, it can drive its neighboring code stocks to rise and stop. In addition, stocks that have not been transferred for a long time and have no undistributed profits and accumulated capital accumulation funds are also the concept stocks, which are classified as "high expecting of delivery", will rise in the mid-term and the annual warm-up period. This is a unique landscape in the secondary market. The academic community has not stopped researching this.

Since the reform and opening up, China's rapid development has been inseparable from the continuous growth of small and medium-sized enterprises. Many small and medium-sized enterprises have gradually grown into international leading companies that master China's core technology and become the new engine of economic development. Protecting small and medium-sized enterprises and further enabling small and medium-sized enterprises to promote market vitality has always been a proposition that the central leaders are paying attention to and constantly practicing. Especially after 2008, due to the world financial crisis and the end of the commodity bull market, China's traditional industries have encountered no small blows, both in terms of the development of the real economy and the stability of financing in the secondary market. So on October 23, 2009, the GEM was officially listed on the Shenzhen Stock Exchange. As a supplement to the main board, it was also called the "second board market", which provided a financing platform for SMEs in a weak position in social capital allocation (Dai Jiangyan *et al.* [1]).

However, after June 5, 2015, due to the company's large-scale performance change and leveraged funds, the GEM experienced a long decline. As of October 19, 2018, the index fell 70.6% from its peak; Considering that the GEM index is not an ordinary weighted average, but conditionally screening out some of the problem companies, the screening conditions mainly include: 1) The company has no major violations in the past year and no major problems in financial reports. 2) There was no abnormal loss in the past year. 3) There was no abnormal fluctuation in the stock price during the inspection period. After screening, the index of companies with better fundamentals is retained, so it can be said that the actual decline of the GEM far exceeds the extent indicated by the index. Among the more prominent cases, LeTV was excluded from the GEM stocks in the event of a major change in operating conditions before the resumption of trading on January 24, 2018. Due to the long-term decline, investors even labeled the GEM listed companies with low credit.

In the face of a huge index retracement, in addition to the most basic impact on the financing situation of listed companies in the secondary market, the stock price decline will also be transmitted to the equity pledge of listed companies, triggering passive liquidation, which will further affect the financing channels of listed companies. As of February 2019, the two markets had a total of 4.7 trillion yuan of equity pledge problems urgently needed to be resolved, especially the pledge of 2.82 trillion listed companies with banks and brokers as the main pledgee who had broken the forced liquidation line. Because the negative impact of the equity pledge crisis is very huge, the shareholders of the listed company will have the motive to avoid the price falling below the pledge closing line—they can become a listing by stimulating the "high stock dividends" of the stock price within a certain period of time. The choice of the controlling shareholder of the company. Li Xindan *et al.* [2] and seeing the company's announcement of the "high stock dividends" announcement, the retail investors may enter the market because of information asymmetry, and the listing of equity pledge problems due to other reasons such as poor management. When the company pays the bill, the shareholders may also take the opportunity to reduce the holdings.

On April 4, 2018, the "Shenzhen Stock Exchange Information Disclosure Guide No. 1-High-rate Stock dividends of Shares", commonly known as the "Shenzhen Stock Exchange High-Stock dividends New Regulations", although the reduction, There are clear restrictions and regulations on issues such as fixed increase, but there is no mention of provisions on equity pledges and related issues. If the shareholders of a listed company do not intentionally propose a "high stock dividends" to protect the pledge of equity, the small and medium-sized investors will be more irrational in chasing the "high stock dividends" behavior.

Therefore, the real purpose of studying the dividend transfer method of the shareholders of GEM listed companies is to let investors have a clearer understanding of the high stock dividends behavior, so as to avoid blindly follow-up investment and ultimately frustrate, to protect investors and build the GEM. Good financing ecology and helping to promote the healthy development of innovative enterprises are of great significance. At the same time, it can also make policy supplements for the "high stock dividends and new regulations".

2. Literature Review and Hypotheses

2.1. High Stock Dividends Rotation Theory

2.1.1. Signal Transmission Theory

Signal transmission theory means that because the information of listed company executives is ahead of market investors, there is information asymmetry problem, so the company executives will send the enlarged share capital in a high way, although the earnings per share is reduced, but the listed company Managers have confidence in the development of later-stage companies and re-raise their earnings per share through profitability, and send a positive signal to investors in the market, distinguishing themselves from other companies with poorer earnings expectations (Bernnan *et al.* [3]). Mc Nichols M, David A *et al.* [4] summarizes the US stock dividends from 1976 to 1983 and finds that the stock dividends and stock split ratios of listed companies are positively correlated with the growth of corporate earnings. Miller *et al.* [5] believe that the dividend policy can convey the information of the company's operating resources and investment to the market, so that the market has a basis for judging the current earnings of the company. After making an estimate of the company's future earnings, it chooses to increase the company's stock.

Wei Gang *et al.* [6] combined the dividend distribution plan announced by the listed companies in China in 1997 and the market reaction data, and found that the bonus policy in the secondary market in China is more popular with investors than the cash dividend, and the stock price is stimulated. The degree is more obvious. Since the dividend distribution plan such as "high delivery" is part of the annual report and the annual report, and the annual report of the interim report will disclose a variety of important information about the company's annual operating status, which may interfere with the signal transmission theory of studying the dividend distribution policy. Lv Changjiang *et al.* [7] solved the impact of other information in the annual report on market reaction by studying the impact of dividend change announcements on market funds, and concluded that the market is more sensitive to information about changes in stock dividends., the negative reaction to the change, but the conclusion that there is no obvious reaction to the change in cash dividends. As mentioned earlier, cash dividends are generally more mature, tradable shares are sufficient for listed companies to meet the secondary market financing needs of listed companies, while companies with stronger growth prefer to use stock dividends.

However, for the theory of signal transmission, domestic scholars' research finds that in fact, listed companies adopt a "high-stock dividends" dividend policy to pass on the signal that the company's future earnings rise, which is often falsified. On the one hand, from the perspective of the actual profit of the enterprise, He Tao *et al.* [8] analyzed the ROE increment and the transfer ratio relationship of all listed companies in the A-share market at that time, and found that the correlation coefficient of the ROE increment to the ROE increment is only—0.0031, indicating that the share issue cannot be a signal of future earnings growth. On the other hand, from the perspective of long-term profitability of investors, Wei Gang *et al.* [6] found that high delivery can obtain significant positive cumulative excess returns within a certain time window. However, the main part of this income mainly appears in Before the high delivery information was disclosed.

LeTV began to suspend trading on April 14, 2017. During the suspension period, Jia Yueting repeatedly explained the company's operation and strategic development direction, and let LeTV shares suspend trading for 9 months without justifiable reasons, and take it before the resumption of trading. For every 10 shares, 10 shares were sent to pay dividends of 0.28 yuan. However, to this day, Jia Yueting has transferred the company to Liu Shuqing, the company, and has drawn a clear line between its ongoing car research and development project and LeTV. This series of similar realities in the A-share market cannot be explained by signal transmission theory.

2.1.2. The Theory of Liquidity

The liquidity hypothesis is also called the optimal price theory. The theory holds that stocks need to be kept in a reasonable liquidity range by adjusting the stock price. This theory is also called the optimal price theory. The theory believes that too high a unit price per share will limit the involvement of investors with small capital, affecting liquidity; reduce stocks through stock splits and stock dividends, lower absolute stock prices, lower participation thresholds, and increase stock trading activity. In addition, unlike the way China collects commissions based on the transaction amount, the United States collects commissions based on the number of shares traded. Therefore, stock splits will also lead to an increase in the transaction costs of the original holders, which in turn will lead to a decline in liquidity. Therefore, Baker *et al.* [9] believes that stocks have an optimal price range in which stockholders' trade-offs and entry thresholds are balanced, while company executives decide whether to make dividends. This optimal interval will be taken into account. Muscarella *et al.* [10] also confirmed this statement by comparing the observation group with the control group. He chose ADR (American Depositary Receipt), which is a stock-based depository receipt. For example, Americans want to buy British stocks, but If you don't want to open a stock account in the UK, you can convert the stock into a DR bill by a British company, send it to the US as an intermediary, and circulate among investors in the US. The holder owns the stock but has no equity. However, ADR and home country stocks can choose whether to split independently. The study found that ADR will have a 1% to 2% premium when ADR split but the home country stocks are not split, but because ADR and stocks are based on company status It is fundamental, so the comparison can better explain the establishment of the liquidity hypothesis. Li Xindan *et al.* [2] integrated all the high-rotation rotation related theory, using the data of listed companies from 2006 to 2012, and verified them in the same model. It was found that the sample of listed companies in China rejected the "signal transmission hypothesis" and "price illusion hypothesis" and "The dividends cater to the hypothesis", but the "liquidity hypothesis" and the "equity expansion hypothesis" are notable.

However, there are many examples in the actual situation that do not support the liquidity hypothesis. In China, since stock trading must start with 100 shares, the trading commission does not need to be based on the number of shares traded, but only related to the total amount of the transaction, so it is more necessary and easier to let the stock price fall in the liquidity hypothesis. Reasonable price range. However, in 2018, Guizhou Moutai has a maximum of 803.5 yuan, which means that the minimum participation threshold for individual investors is above 80,000 yuan. It can be said that most of the company's stocks are organized by institutions, and the liquidity problem is large, which is reflected in the stock turnover rate low. According to Eastern Wealth Statistics, at the end of October 2018, the market value of stock accounts, 19,683,950 natural persons below 10,000, accounting for 37.5%, and the number of 10,000 - 100,000 households was 24,521,490, accounting for 46.72%, the two parts add up to 84.22%, such data most investors are far behind the high-priced stocks. In addition, Mindray Medical (300760), which is known as the unicorn in the medical industry, has a price of 128.39 yuan per share. The price of Gigabit per share, which is known as the white horse shares in the game media industry, is 172.02 yuan per share. The most famous Berkshire Hathaway price per share, as of March 2019, has reached a share of $ 303,600. These nail companies in dividends have not considered the liquidity of the secondary market, and the fact that their stock prices are too high has affected their financing in the secondary market and the company's operations. These problems are all unanswerable by the best price theory.

In addition, the liquidity theory is difficult to explain the high transfer behavior of some stocks with extremely low prices in the A-share market. For example, Shandong Mining Machinery (002526) announced on August 22, 2018 that it will increase 7 shares for every 10 shares. The re-pricing price was only 3.13 yuan. After the announcement, the daily limit was harvested for 4 consecutive days, and the stock had already announced a high delivery at the price of only 5.33 yuan in the 2017 annual report, and was removed on May 28. When Dalian Port (601880) launched its high-transfer plan in 2016, its share price was only 4.66 yuan. There are even more extreme examples. For example, Zhonghong real estate co.ltd announced the high transfer plan in 2017 in the mid-year period when the operating conditions were worrying. On July 17, the company implemented a transfer of 4 shares for every 10 shares and a dividend of 0.1 yuan. Operation, the stock price of 2.72 yuan directly hit 1.88 yuan, after the business did not improve and the market does not recognize, the stock price fell all the way down to less than one yuan, triggering the "share price for 20 consecutive days below one yuan automatic delisting" system, let a large number The holders of the company's stocks lost their money and the company lost its eligibility for financing in the secondary market. On the other hand, the reason for the company's delisting is actually not as good as the long-lived bio-fake vaccine incident and the bad nature of Xintai Electric's false accounting incident. It can be said that it is the first company to withdraw from the market because of high delivery and low stock price. This kind of behavior in which the absolute price is already low and the stock is highly transferred cannot be explained by the traditional liquidity theory.

According to the unique actual situation of A shares, Chinese scholars mainly have the following conclusions on the study of liquidity theory. In the background of the share-trading reform, He Zhong *et al.* [11] found that the liquidity of equity after the reform has increased significantly, but the distribution of cash dividends has shown a sharp decline, and the relationship between equity liquidity and dividend distribution has been inversely related. High-growth companies and high-liquidity companies have the most significant reduction in cash dividends. He Tao *et al.* [8] also said that because domestic and foreign scholars measure the stock liquidity differently and the standard, there is no certain conclusion on whether the liquidity after stock splitting increases.

2.1.3. Theory of Catering

After discovering that classical signal transmission theory and liquidity theory cannot explain many phenomena in China's stock market, domestic scholars began to try to use the catering theory to explain. The catering theory is different from the former two theories. It is based on behavioral finance. In fact, most of the research on the high-turning rotation is based on the theory of catering, and it is enriched. The research on whether there is a "catering phenomenon" was first proposed by Baker *et al.* [9]. Managers will make investors' speculative behaviors when they know that investors will irrationally chase stock dividends and stock splits. Decision making to maximize the effectiveness of managers' financing in the secondary market or their own benefits. Lv Changjiang *et al.* [7] analyzed the relationship between the dividend decision made by the management and the investment demand time of the investor, and found that there is a significant correlation between the two, indicating that the management has deliberately catered to the incentive of more investors to chase the dividends of the company. Gong Huiyun *et al.* [12] analyzed the difference between the average market value book-to-book ratio (M/B) of the company and the pure company, and found that Chinese investors have a higher preference for the transfer of shares, which will give more than pure cash dividends. High voting premium, and investors prefer to chase a high proportion of transfer behavior and the company's high frequency of transfer behavior, which will also affect the decision of listed companies in the formulation of dividends policy, in order to achieve more company stocks than the market The purpose of high premium.

Domestically, the most classic study of catering to theory, He Tao *et al.* [8] through the analysis of the changes in the earnings increment of listed companies after the high transfer, found that the company after the transfer of shares has no average profit level compared to the market. Obvious advantages, and because the hype of high-sending is mostly in the short-term, it can not be explained by the liquidity theory. Therefore, the analysis of the "price illusion theory", that is, the high-transfer behavior of listed companies is based on investment. The analysis of the fundamentals of stock value is insufficient, and on the premise of simply referring to its historical denomination, it caters to investors' pursuit of absolute low-priced stocks in order to achieve the purpose of increasing the market value of enterprises in the process of stock filling. Investors with insufficient investment experience mistakenly believe that absolute price is a "cheap" cognition. There is a popular saying in A-shares that the task of the bull market is to eliminate stocks below 10 yuan. According to statistics, in the bull market from the beginning of 2013 to June 2015, the SSE 50 Index, which has excellent fundamentals and high ROE and average P/E ratio of about 10 times, has a maximum increase of 249.14%, while the absolute price is below RMB 3. The biggest increase in stocks is 371.33%. This phenomenon is a good example of the fact that small and medium investors in China are blindly pursuing stocks with low prices.

In addition, domestic research on catering to theory, as well as Xiong Dehua *et al.* [13], has a higher sentiment on dividends in the market, that is, given a higher premium, listed companies have a tendency to pay dividends. Huang Juanjuan *et al.* [14] also proposed that when the company's equity is concentrated in the hands of the company's executives, the company's executives will also ignore the interests of small and medium shareholders, and more inclined to dividends rather than cash dividends, in order to enhance the overall market value of listed companies. Li Xindan *et al.* [2] also confirmed that the high-selling behavior of listed companies has once again confirmed that the premium given by the market to low-priced stocks has a significant positive impact on the high-sending behavior of listed companies, that is, the more investors prefer low-priced stocks, management The more people tend to launch the "high transfer" program.

In addition, from a practical point of view, the share is based on the undistributed profit of the company in the current year. The company needs to have a good operating condition in the year and has a certain income surplus. This has certain requirements for the company's fundamentals. However, the transfer of shares is from the capital reserve of the company. Since the company will generally give a higher valuation after the successful listing, even the new bank shares can give more than 30 PEs, and the capital reserve is converted into equity. Starting with 1 yuan, it can be said that most companies have huge capital reserve surplus after listing, and thus the transfer of share capital, almost no need to consider the fundamentals of earnings. In fact, when a listed company is highly resold, it is often more than a share transfer. This divorce policy is more likely to be a speculative act to cater to small and medium investors for the company's internal interests.

2.1.4. Other Related Theories

Summarizing the above three theories, the purpose of signal transmission theory is to convey the confidence of the company's future earnings to the market investors. The liquidity theory is to control the stock price within a reasonable range, so that more investors can buy and hold the company's stock. The conclusions of catering to the theory are mostly to cater to investors' preference for low-priced stocks, and to encourage investors to buy company stocks through high-transfer behavior. However, these three theories do not fully explain why listed companies should encourage investors to buy shares of the company, in addition to expanding the company's financing in the secondary market.

And why should we get more investors' attention and buy through the high transfer behavior? Xie Deren *et al.* [15] overcomes the endogeneity problem by combining the internal people's reduction behavior with power to influence the company's dividend policy and the company's "high stock dividends" plan, and using equity lifting as a tool variable. High stocks and high stock prices may entice executives to reduce their holdings, but the time for lifting the ban is stipulated by law, so there will be no reaction and causality. It is found that the high transfer behavior of listed companies is actually "strategic and then move", that is, the executives of listed companies are We have reduced the shareholding at a high price and have launched a high transfer plan. Li Xindan *et al.* [2] found that the high transfer behavior of listed companies has a significant positive correlation with the probability of reducing shareholdings of major shareholders in the next year. Xiong Dehua *et al.* [13] found that when the company conducts equity incentives for executives, executives tend to push the company to increase its share price in order to increase the return. Lin Jing (2013) found that among the 27 companies that launched the high-transfer plan earlier in 2009, 24 of them had fund companies ambush ahead of time, while small and medium-sized investors only filled in after the continuous high-sending daily limit. The transport relationship is very obvious.

However, similar to the blatant arbitrage behavior of reducing shareholdings through high-selling and high-trading stocks, on May 29, the Shenzhen Stock Exchange issued "Shenzhen Stock Exchange listed company shareholders and directors, supervisors, senior management personnel to reduce shares In the Regulations, it is clear that the executives and insiders of listed companies use "high stock dividends" to raise the stock price and cash out. Similarly, in the "High Stock dividends and New Regulations", it is stipulated that within three months before and after the "high stock dividends" of the company, "the company proposes shareholders and controlling shareholders and their concerted actions, directors, supervisors and senior management personnel" There are reductions and reduction plans, and if there is a reduction plan within four to six months, the announcement will be issued, although permitted. It can be said that for the potential high rotation of listed companies such as reduction and issuance, both research and related laws and regulations have already had relatively complete research and regulations, and in terms of market reaction, for example, November 17, 2017 Kaipu Bio (300639) announced that it will increase 10 shares for every 10 shares and distribute a super high dividend and cash dividend plan of 5 yuan. However, the company will lift the restricted shares of 22.309 million shares in April 2018. The total amount doubled, so the market quickly fell after giving it a maximum of 61.1% in the short-term, and finally fell to 45.1 yuan on February 6, 2018, lower than the stock price before the announcement of the proposed high stock dividends. It can be said that as information disclosure becomes more and more perfect, relevant laws and regulations gradually attach importance to high-transfer behavior, and investors gradually have certain basic knowledge of investment, the arbitrage behaviors of the past common dividend distribution policies in conjunction with reduction and issuance have gradually Is it possible for investors to understand and prevent it, then is there any other possibility for the internal motivation of the listed company to send it?

2.2. Equity Pledge Related Theory

Since the equity pledge is mainly biased towards practice, there are few relevant research theories, mainly focusing on the theory of "trusted agency". As early as the 1930s, when Berle and Means were concentrated in the same person, that is, the company's major shareholder or controlling shareholder, based on the ownership and management rights of the company, they often involved infringement of the interests of small and medium shareholders and the inefficiency of business operations. It puts forward the idea that the ownership and management rights should be separated, so that the shareholders of the company can completely transfer the management rights of the enterprise to the special manager and improve the operational efficiency of the enterprise, that is, the so-called "first type of agency problem". However, because the company's company equity tends to be concentrated, the controlling shareholder directly plays the role of the enterprise operator. Therefore, the small and medium shareholders can only passively accept the decision of the controlling shareholder or the major shareholder on the company's development strategy, forming a "second type of principal agent". "problem. Among them, the use of equity pledge and the investment of pledge funds, as well as the pros and cons of equity pledges, have become one of the focuses of the "second type of entrusted agency" issue.

2.2.1. Status of Equity Pledge Financing

Chen Na *et al.* [16] said that the equity pledge business was strictly controlled and supervised by the CBRC in 2013 as part of the "shadow banking". However, due to the large volume of equity pledge business, banks, brokerages and other financial institutions did not give up. Continue to provide equity pledge services to listed companies, and brokers have in particular increased the proportion of equity pledge business in on-market transactions. Since the subject matter of equity pledge is closely linked to the secondary market situation, and the volatility of China's secondary market is particularly severe, the issue of equity pledge has always been a high-risk link in the financial industry and the real economy in China.

He Zhong *et al.* [11] proposed that state-owned enterprises have higher creditworthiness due to their state-owned attribute background, and their financing environment and financing costs are far better than those of small and medium-sized enterprises with private attributes. The degree is low, so the general research on the problems caused by equity pledge, the selection of SME samples is more scientific. More deeply, Wei Gang *et al.* [6] found that when the nature of the major shareholder is a legal person, in the case of a pledge liquidation crisis, the financial institution as the pledgee can take the opportunity to prevent the damage of the rights to the pledge company. Therefore, the legal person shareholder can obtain a higher equity pledge rate than the natural person shareholder, that is, when pledge the same amount of equity, the legal person shareholder can obtain a higher financing amount. Generally speaking, the equity pledge tends to be inversely proportional to the pledgee's shareholding ratio. Therefore, the weaker the repayment ability, the more likely people use the equity pledge to obtain liquidity, which also makes the equity pledge take greater risks.

2.2.2. Research on the Relationship between High Transfer and Equity Pledge

As Xie Deren *et al.* [15] mentioned, the high transfer behavior of listed companies may be "decision and then move", which is a premeditated decision made in order to cooperate with the reduction of shares, and the price increase after the private placement is finally the same in order to reach the stock price. The purpose of high arbitrage. So is it possible to make passive choices in response to unexpected circumstances of controlling shareholders and insiders? At present, some scholars have found that the pledge of the controlling shareholder's equity may be one of the internal motivations for the high turnover of listed companies.

Huang Juanjuan *et al.* [14] analyzed the data of listed companies in 2003-2017 and found that when the controlling shareholder of the company used the equity pledge, it would prefer to use the "high transfer" dividend policy instead of the cash dividend policy. And this tendency is more significant when the stock pledge is more important, and the stock price is approaching the liquidation line.

On the basis of the predecessors, He Tao *et al.* [8] introduced the "high-transfer" of listed companies to control the major shareholders' reduction and cover the high-capitalization of the fixed-income funds. Prevent passive liquidation and have a tendency to raise stock prices in the short term through a dividend distribution policy to protect their own safety.

3. The Impact Mechanism and Assumptions

3.1. The Impact of the "High Stock Dividends" Incident on Stock Prices

The impact of high stock dividends on stock prices has been studied in depth. Bertrand *et al.* [11] found that although listed companies that publish dividend policy have significant profit growth in the current and future years, they have subsequently There is no unexpected increase in earnings, but in the case of not obvious growth in profitability, the excess return of stocks does exist. Baker *et al.* [9] found that even if only the dividend policy of stock dividends can be used to obtain a premium at the time of the announcement, investors can see the enthusiasm of investors for stock dividends. But when the formal ex-dividend, the stock price may not only rise but will fall. Gong Huiyun *et al.* [12] used the dividend policy of listed companies from 1992 to 2000 to influence the stock price: pure stock dividends and cash plus stock dividends have a greater impact on stock prices than pure cash dividends. Stock dividends are more profitable than cash dividends. Bringing excess returns; and because investors in listed companies in China still need to pay 10% interest tax when they enjoy cash dividends, and stock dividends do not need to collect taxes, so the former is welcomed in China's secondary trading market. The degree is even lower.

In the past, the literature on the high transfer behavior of listed companies has explained the impact of "high transfer" behavior on stock prices, and also shows that stock dividends can stimulate stock prices more than cash dividends. In addition, as mentioned in the previous article, the listed company's stock dividend distribution needs to go through four stages: pre-planned announcement, equity registration, ex-dividend ex-dividend and dividend-distribution, and the Shenzhen Stock Exchange must publish the proposed "high-transfer" program. In two months, the ex-dividend ex-dividend will be implemented. Therefore, the way to rise is to enter the first round of the "robbing power" stage immediately after the announcement of the plan, and then enter the second round of "pre-filling" speculation stage after a certain period of adjustment. However, the main board can be executed within one year after the announcement of high stock dividends, so the overall stock price is less sensitive to "high stock dividends" than the GEM.

From this we make assumptions 1:

H1:After the GEM listed company proposes a high transfer, the stock price premium in the short term is greater than that of the main board listed company.

For this hypothesis, this paper uses the event research method, which is to extract the data from the main board and the GEM 2017 annual report, and compare the average daily excess return rate—CAR. To verify the hypothesis, see section 4.1.2 for details. (commet 1)

3.2. The Impact of Equity Pledge on "High Stock Dividends"

As mentioned above, equity pledge is a financing method that is currently favored by listed companies. It has the advantages of quick cashing and good liquidity. Under the premise that the stock price has not been seriously reduced and the passive liquidation is caused, the controlling shareholder of the pledge equity can still Exercising its management decision-making power over listed companies in accordance with the law and voting on the company's business decisions. Lv Changjiang *et al.* [17] said that the controlling shareholder can use the equity pledge financing to convert long-term equity assets that cannot be easily used on the balance sheet into flexible funds for allocation. However, because of the various advantages of equity pledge, the controlling shareholder tends to focus only on the benefits of equity pledge before the equity pledge, but does not carry out sound risk calculation, and has sufficient fund preparation or complete planning for redemption of pledge equity. Therefore, when the secondary market volatility triggers the equity pledge warning line or the liquidation line, the controlling shareholders tend to be insufficiently prepared. At this time, they not only need to sell the pledge of the pledge, but also need to repay the unpaid portion. However, since the equity pledge is on the one hand to satisfy the flexible use of the restricted shares before the formal lifting of the ban, on the other hand, it is also to enable the controlling shareholder to realize the equity mortgage financing without losing control of the company. Therefore, the accidental loss of equity and control caused by passive liquidation must be avoided by the controlling shareholder. Especially in China, the registration system has not been implemented. The main board needs to have a cash flow of more than 50 million yuan in the past three years, or the operating income has accumulated more than 300 million yuan. The GEM also needs to accumulate no less than 10 million yuan in the last two years., or the operating income of not less than 50 million yuan in the past year; and once the application for listing is rejected, it needs to be suspended for one year and then re-queue the listing. In the context of this extremely stringent listing system, the company executives generally do not Easily give up control of the company. This will inevitably lead to a strong tendency for the controlling shareholder to stabilize or increase the stock price when the company's market value fluctuates drastically and the equity transfer causes equity transfer.

Specific market value management methods. In the long run, He Zhong *et al.* [11] take LeTV as an example. The summary includes: consolidating the main business, creating stable income-generating sources, strengthening company management, exploring intrinsic value, and improving financial management. And other methods. However, on the one hand, as mentioned above, China's secondary market is not perfect, and the market value fluctuation of listed companies tends to have short time and large fluctuations. It is difficult to cope with short-term problems due to long-term market value management mode. In addition, especially for the GEM listed companies whose industries are concentrated in the "technical" industry, the vast majority do not have strong technical research and development capabilities and core technologies, which are generally after the emergence of important technological breakthroughs in the upstream of the industrial chain. In the downstream, we have achieved breakthroughs in revenue from the main business, such as the impact of the popularity of 4G technology on companies such as GEM mobile games companies and Internet finance. Therefore, it is very difficult to achieve a breakthrough in the company's profitability and even the ability of technology research and development through active company operations. In the case of a decline in the overall valuation of the market, the company's stock price rises and the market value increases.

At this time, we consider that the controlling shareholder of the listed company will adopt some quicker and lower cost methods to deal with the issue of equity pledge. In the past, the main conclusions were the release of good news, accounting operations (legitimate profit accounting settlement, making the financial report better), suspension of short-term shocks, and attempts to restructure mergers and acquisitions. However, although these can be taken into consideration, there are many relative disadvantages compared with the high-transfer. For example, in the case of suspension of trading, the general resumption of trading continues to fall; attempting to restructure mergers and acquisitions requires greater costs and requires a good restructuring target is generally based on equity acquisitions, with cash acquisitions as the second. After the acquisition, the company's price-earnings ratio is reduced as much as possible. The high cost of "high delivery" is strong, and it is easy to become the first choice for short-term market value management of controlling shareholders of listed companies.

From this we make assumptions 2, 3:

H2: A GEM listed company with equity pledge has a higher probability of adopting a "high transfer" dividend distribution policy.

H3: The greater the proportion of the controlling shareholder's equity pledge to its total shareholding, the greater the probability that the GEM listed company will achieve a high transfer rate.

For these two hypotheses, this paper uses the logit model to fit regression of the equity pledge and high transfer data from 2015 to 2018. If the listed company's equity pledge variable and the controlling shareholder's equity pledge proportional variable impacted the probability of "high transfer" to the listed company significantly, then the hypotheses can be verified. To verify the hypothesis, see section 5 for details. (comment 1)

4. Model Design and Data Description

4.1. Cumulative Excess Return Calculation

4.1.1. Sample Selection

For the previous hypothesis H1, this article refers to the past literature using the event research method to measure the excess return of the stock price during the "high delivery" event. In general, the study of this problem is to extract the one-year annual report data as a sample for analysis and to derive conclusions.

In past studies, it is generally believed that there are two important points in the distribution of dividends in China's secondary market. One is the pre-announcement day of "high delivery", and the second is the implementation announcement date of "high delivery". This paper believes that due to the long time span between the pre-announcement date and the implementation announcement date, if the stock price fluctuations in the long period of time are studied, more uncertain factors will be included. Therefore, this paper selects a short window period to avoid the impact of unrelated events on its volatility, that is, the stock price fluctuations within 10 days before and after the disclosure of the plan announcement date, in order to calculate the cumulative excess return rate of individual stocks. For the calculation of the expected rate of return, this paper selects the estimated period window for the first 90 days of the announcement of the high delivery plan. It is also worth noting that the general pre-disclosure announcement day will enter the stage of speculation, but not every company will have a special pre-disclosure announcement time. Some companies only have the pre-announcement date, so when there is no pre-disclosure announcement, at the time Choose to use the plan announcement date instead.

In the sample selection, the following conditions are mainly met:

1) Listed companies that have had dividend distribution behavior in the 2017 annual report based on the Statistical Yearbook of the Shanghai Stock Exchange and the Statistical Yearbook of the Shenzhen Stock Exchange. The main reason for selecting the 2017 annual report sample is that the SFC has strengthened its supervision on high delivery since April 2017. Taking into account the lag effect,

the 2017 annual report is more representative of the current market's real response to "high delivery". And by 2018, the overall market is greatly affected by the external, so the data is not representative.

(notes: In 2018, due to serious trade frictions between China and the United States, the stock market in China and the United States resonated. The stock price of listed companies dropped rapidly due to the influence of the external political environment, completely out of the capital and fundamentals, so the data is not representative.)

2) According to the CSRC's "Guidelines for the Transfer of Shanghai-Shenzhen": "Shanghai Main Board is sent by 10 to 5 and above; GEM is sent by 10 to 10 and above".

3) If the shares of a listed company are suspended during the announcement period, the suspension time may not exceed 5 working days.

Finally, the number of samples selected is: Shanghai Main Board 5, GEM 26.

4.1.2. Return Measurement and Estimation Process

This paper uses the event research method to analyze the impact of the "high transfer" behavior of listed companies on the stock prices of the main board and the GEM companies. Commonly used models for estimating normal rate of return include market adjustment method, market model method and mean value adjustment method. This paper chooses the market model method. Wei Gang *et al.* [6] also used these three methods to compare the values of CAR under the three models. Their results show that although the three models are calculated differently, The results obtained are consistent. The specific logic is to use the least squares method to calculate the correlation coefficient between stocks and fingers when there is no high transfer event through the correlation between individual stocks and board fingers in the early stage of the event.

$$R_{it} = \alpha_i + \beta_i * R_{mt} . \tag{1}$$

Here R_{it} is the expected daily stock return rate of the company i at the time point t, which is selected as the dependent variable; R_{mt} is the daily return rate of the counterpoint at the time point t. Here, the daily comprehensive rate of return of the main board and the GEM is selected as the Independent variables; ∂_i and β_i are parameters to be estimated. When estimating ∂_i and β_i in the market model, we select the daily stock yield data of the stocks 90 days before the announcement of the high delivery plan window, and select the daily yield of the main board and the GEM index 90 days before the event window. Data, ∂_i and β_i mapped to each stock by least squares regression. Therefore, during the period of the window, the daily yield of the GEM and the main board is estimated to estimate the normal expected rate of return of the company's stock during the event window period of $E(R_i, t)$ in the event of no "disclosure of the high delivery plan". The actual yield data of $R_{it} \in (-10, 10)$ is subtracted from the normal expected rate of return, and the excess return rate of individual stocks i in a single day: AR_{it}. Then derive the daily cumulative excess return rate CAR_i

which is: $AR_{it} = R_{it} - E(R_i, t) \quad (\mathrm{t} \in (-10, 10)) \; CAR_i = (T_1, T_2) = \sum_{t=T_1}^{t=T_2} AR_{it}$ (2)

In summary, the daily cumulative excess return rate during the sample window period can be summarized as Table 1.

Observed Table 1 can be found that the average daily CAR of the 26 samples of the GEM is 142.5924937, with an average of 14.97355243, while the average daily CAR of the 5 samples of the main board is 31.42447838, with an average of −0.829227946. Obviously the volatility of the GEM sample and the daily cumulative excess return rate is greater.

According to the 2017 annual report sample, we can make two inferences:

1) The "high-transfer" dividend distribution policy of listed companies will stimulate the stock price, and in the short-term, the stocks will have a certain excess return rate.

Table 1. The calculated CAR_i.

Window period average CAR_i				Average CAR during the GEM sample window period
Motherboard sample code	Average CAR during the motherboard sample window period	GEM sample code		
600167.SH	−6.32537	300038.SZ		10.88151
603466.SH	−4.2681	300158.SZ		−10.1921
603716.SH	−10.5935	300176.SZ		0.689443
603456.SH	5.424968	300241.SZ		−18.4548
600366.SH	−2.73383	300259.SZ		−18.8777
	2.69114	300365.SZ		−37.3325
	0.104544	300401.SZ		−3.00075
	−11.787	300450.SZ		−9.29586
	−11.6825	300451.SZ		−12.2966
	−5.1947	300485.SZ		28.89213
	−3.4467	300497.SZ		113.7004
	−8.64141	300514.SZ		142.5925
	13.95458	300545.SZ		30.67395
	17.4699	300547.SZ		11.05316
	31.42448	300561.SZ		41.72711
	−6.6697	300567.SZ		6.645184
	3.92771	300586.SZ		−5.92387
	−2.74199	300602.SZ		0.721317
	2.30349	300627.SZ		6.907374
	−11.4666	300628.SZ		14.21363
	−9.16315	300639.SZ		21.121
		300648.SZ		
		300668.SZ		
		300677.SZ		
		300705.SZ		
		300707.SZ		

2) Verification H1: The cumulative excess return rate of GEM stocks in the short term is significantly larger than that of the main board stocks, which can better realize the market value management in the short term. It is a better sample to study the motivation of "high transfer"

4.2. Detecting the Impact of Equity Pledge on High Stock Dividends' Probability

4.2.1. Model Design

Referring to Huang Dengshi *et al.* [18], this paper uses the Logit model to test hypotheses H2 and H3:

$$\text{Logit}\left[P\left(\text{sendt}_{i,t}=1\right)\right]=\alpha_i+\beta_1\text{pledge1}_{i,t}+\text{Controls}+\varepsilon_{it} \tag{3}$$

$$\text{Logit}\left[P\left(\text{sendt}_{i,t}=1\right)\right]=\alpha_i+\beta_1\text{pledgeP}_{i,t}+\text{Controls}+\varepsilon_{it} \tag{4}$$

Among them, i indicates the individual listed company, t indicates the bulletin period, ε_{it} indicates the random error term, $P\left(\text{sendt}_{i,t}=1\right)$ indicates the probability of the listed company implementing the "high stock dividends" policy, α_i is a constant, indicates the difference of each sample listed company. $\text{pledge1}_{i,t}$ indicates the announcement At the time of publication, the company has a dummy variable for pledge of shares, and $\text{pledge}P_{i,t}$ indicates the proportion of the company's controlling shareholder's pledge shares at the time of the announcement. Controls represents the control variable.

4.2.2. Selection of Main Variables

1) Dependent variable. The dependent variable is the decision of the listed company on the stock dividend distribution policy, and whether the listed company uses the "send" during the mid-year or annual report. In the first round of empirical regression, still refer to Li Xindan *et al.* [2], according to the "sending share + transfer" ratio is greater than or equal to 0.5 times the original share of the definition of "high transfer", that is, when the send ≥ 0.5 take the dummy variable sendt = 1. When send < 0.5, take the dummy variable sendt = 0.

2) Independent variable. This paper mainly examines two independent variables: First, the pledge of equity in listed companies (pledge1). Because the size of each listed company is different, the number of shares that can be pledged is inconvenient to directly compare horizontally. Therefore, in the statistics of the article, firstly, counts the number of the company's shares pledge when the company announces the announcement, and then draws the virtual variable pledge1, when the pledge is not 0, pledge1 = 1, when pledge = 0, pledge1 = 0.

Second, the cumulative pledge of the controlling shareholder of the listed company accounts for its total shareholding ratio (pledgeP). Since the controlling shareholder of the listed company has an important voice in the company's dividend distribution policy, and as mentioned above, the equity pledge may involve the transfer of control rights in the event of a crisis, so the controlling shareholder's equity pledge accounts for the proportion of its total shareholding. The degree determines the probability that the controlling shareholder will manage the market value when the stock price fluctuates drastically.

Other control variables refer to the previous research results, including: 1) The ability of the company's stock to transfer itself (Undistributed profits—Ernspls and capital reserve per share—Capersv at the time of the announcement);

2) The basic influencing factors of the company's tendency to send high turnover (The company's listing days—Age at the time of the announcement and the size of the previous period's share capital—lnShare and The rise and fall of the GEM one month before the announcement of the individual stock plan announcement—GEM);

3) In the past research, other possible motives for high-speed transfer of listed companies (When the plan is announced, the company's absolute stock price-Price, whether there is a ban—Dr, whether the insider has a reduction—Sell);

4) Other important financial and market indicators of the company (Logarithm of asset size—lnAsset, return on equity—Roe, operating income growth rate—Grow, asset-liability ratio—Lev).

The descriptive statistics of the variables are as follows:

Second, According to the Table 2, in the case of all listed companies in the period from the mid-term report of the GEM to the mid-term report of 2018, there is a proportion of 12.8% of the high-transfer profit distribution plan, which has been released in the transfer plan. Among the listed companies, 58.3% of the samples have equity pledge behavior, the controlling shareholder's average pledge ratio is 16.66%, and the controlling shareholder's pledge rate is 91.679%, which is almost full pledge. (comment 3)

Table 2. Variable descriptive statistics.

variable	N	Mean	Median	max	min	St.Dev
Sendt	3897	0.128	0	1	0	0.334
Pledge1	3897	0.583	1	1	0	0.493
pledgeP	3897	16.66	0	91.679	0	24.875
sell	3897	0.141	0	1	0	0.348
Dr	3897	0.189	0	1	0	0.392
lnAsset	3886	21.171	21.106	23.555	19.438	0.855
lnShare	3872	19.335	19.378	21.627	17.609	0.907
Roe	3887	6.904	5.54	32.71	−14.52	7.332
Price	3897	25.546	19.252	117.523	3.824	20.702
Gem	3897	−6.3	−6.265	9.514	−14.607	6.881
Grow	3799	29.217	19.312	286.482	−45.989	47.037
Institution	3528	21.512	15.228	72.459	0.021	19.37
Top	3887	32.185	30.319	68	8.539	13.133
Lev	3893	30.319	27.983	72.124	4.236	16.416
DSholder	3670	36.251	35.875	67.66	11.24	12.325
lnErnspls	3817	19.639	19.57	21.925	17.744	0.788
Capersv	3895	2.181	1.69	9.575	0.037	1.878
Age	3897	992.741	1088	2115	0	609.067

5. Empirical Results and Analysis

First, all the samples were regressed using the Logit regression model (regression 1, regression 2), and the results were as follow.

In the case of the control year and the fixed effect of the industry, the empirical results are analyzed. According to Table 3, in the regression 1, we can find

Table 3. Variable regression result.

variable	Model 1	Dx/dy	Model 2	Dx/dy
Pledge1	0.6306***	0.0489***		
	(4.29)	(4.28)		
pledgeP			0.0408***	0.0026***
			(16.43)	(18.92)
sell	1.0942***	0.0848***	1.0797***	0.0692***
	(6.68)	(6.83)	(5.92)	(6.03)
Dr	0.5697***	0.0442***	0.5764***	0.0369***
	(3.86)	(3.89)	(3.41)	(3.41)
lnAsset	−1.3715***	−0.1063***	−1.4395***	−0.0923***
	(−5.33)	(−5.39)	(−5.17)	(−5.22)
lnShare	0.0406	0.0032	0.0295	0.0019
	(0.22)	(0.22)	(0.14)	(0.14)
Roe	−0.0962***	−0.0075***	−0.0938***	−0.0060***
	(−6.64)	(−6.78)	(−5.97)	(−6.17)
Price	0.0396***	0.0031***	0.0416***	0.0027***
	(7.53)	(7.86)	(7.61)	(7.86)
Gem	0.0230**	0.0018**	0.0231*	0.0015*
	(2.13)	(2.14)	(1.94)	(1.94)
Grow	0.0039***	0.0003***	0.0038***	0.0002***
	(3.13)	(3.13)	(2.74)	(2.72)
Institution	−0.0033	−0.0003	−0.0038	−0.0002
	(−0.94)	(−0.94)	(−0.99)	(−0.99)
Top	0.0005	0.0000	−0.0019	−0.0001
	(0.08)	(0.08)	(−0.27)	(−0.27)
Lev	0.0264***	0.0020***	0.0200***	0.0013***
	(4.72)	(4.70)	(3.15)	(3.13)
DSholder	0.0047	0.0004	0.0093	0.0006
	(0.63)	(0.63)	(1.14)	(1.14)
lnErnspls	1.3791***	0.1069***	1.4077***	0.0902***
	(7.10)	(7.16)	(6.62)	(6.72)
Capersv	0.2868***	0.0222***	0.2797***	0.0179***
	(6.59)	(6.59)	(5.95)	(5.97)
Age	0.00022	0.00002	0.00001	0.00000
	(1.12)	(1.12)	(0.05)	(0.05)
_cons	−2.5919		−1.7333	
	(−0.93)		(−0.55)	
Year	Yes	Yes	Yes	Yes
Ind	Yes	Yes	Yes	Yes
N	3201		3201	
pseudo R^2	0.282		0.401	

Note: *, **, and *** indicate that the parameter estimates are significant at the 10%, 5%, and 1% levels, respectively.

that the coefficient of the equity pledge (pledge1) is significantly positive, the regression coefficient is 0.6306, and the marginal effect is 0.0489. When the company has equity pledge, its probability of implementing the "high stock dividends" policy will increase significantly by 4.89% (delete, comment 4). The undistributed profit (lnErnspls) and the capital reserve (Capersv), which are the basis for the rights issue and transfer, also have a very significant positive impact on the "high stock dividends" probability; in addition, the stock's absolute share price (Price) is also significant. Positive impact, but the marginal effect is only 0.31%. This coefficient is relatively small compared with the foreign research conclusions on the "high stock dividends" motivation, which also shows the particularity of China's secondary market. Moreover, these three points also significantly confirm that investors tend to pick the "three high" standard, that is, high stock price, high undistributed profit, and high capital reserve per share to predict the "high delivery" of listed companies, ahead of schedule. The ambush has a greater possibility to publish the stocks of the "high stock dividends" distribution policy, in order to obtain the first time after the announcement of the plan, and provide data support.

The coefficient of major shareholder reduction (Sell) and ban (Dr) is also significantly positive. As Xie Deren *et al.* [15] research, listed company executives are using the "gamblers" mentality of investors, through the low cost, but the market can always give positive feedback to the stock dividend policy into a good news. To investors, in order to achieve the purpose of profiting insiders with information advantages.

The GEM index (GEM) also showed a significant positive impact on the probability of "high delivery", indicating that when the market fever rises and the average stock price "water level" rises, the listed company's tendency to "highly stock dividends" It will also rise, which may be due to the increase in the stock market's stock price, which has spurred the tendency of listed companies to launch "high stock dividends" in order to obtain higher excess returns. And because the "high stock dividends" behavior of individual stocks can not adversely affect the rise and fall of the board index, it also solves the reverse causal problem.

Other important financial indicators for listed companies, including company growth, ie, revenue growth (Grow), company return on equity (Roe), total size (lnAsset), and asset-liability ratio (Lev) are significant but have very small coefficients Impact. It is worth noting that the correlation coefficient between the company Roe and the high stock dividends probability is negative, which is related to the results of He Tao *et al.* [8]: "The correlation coefficient of the company's Roe increase to the high stock dividends ratio is only −0.00031. This conclusion is similar, indicating the inapplicability of signal transmission theory in China's secondary market samples. In addition, the coefficient of the total size of the listed company (lnAsset) is also negative, which is different from the previous research conclusions, but it also shows that when the company is small, the listed company has a tendency to expand its financing scale through the stock dividend dividend policy.

For regression 2, the regression results of other variables are the same as regression 1, and the shareholding pledge of the main independent variable controlling shareholder is also significant (pledgeP). Although the coefficient is relatively small, the marginal effect is 0.26%, but it also shows When the shareholding ratio of the controlling shareholder's equity is large, it is easier for the listed company to carry out "high stock dividends".

6. Conclusions and Recommendations

6.1. Conclusions (Comment 5)

Based on the "high-transfer" dividend distribution policy data and equity pledge related data of the listed companies on the Main Board and the GEM listed companies in 2015-2018, this paper uses the market model and the logit regression method to deal with the "high delivery" of the main board and the GEM listed companies. The degree of sensitivity and the pledge of equity were investigated. At the same time, the impact of equity pledge on the probability of adopting a "high transfer" policy for listed companies on the GEM was analyzed. The study found that in the secondary market of China, the "high-transfer" stock dividend policy will cause the GEM listed companies to obtain higher excess returns than the listed companies in the short-term, and the current equity pledge of listed companies on the GEM is higher than that of the main board. The company is more common and serious; and the companies with large equity pledges of listed companies and controlling shareholders with equity pledge on the GEM have a tendency to use the "high transfer" policy, so the equity pledge should be listed as important. The GEM listed companies used the motivation of the stock dividend policy to examine.

6.2. Suggestions (Comment 5)

In view of the issue of equity pledge and "high delivery" of listed companies on the GEM, this paper mainly proposes the following suggestions:

First, the current GEM listed companies are more dependent on the equity pledge financing method. Although the equity pledge has caused a series of problems due to the market downturn, it cannot be ruined. The regulatory authorities should formulate more diversified policies for equity pledge. specification. First of all, the pledge party should be more strictly supervised. Since most industries on the GEM are in the growth stage, the investment in the development process, especially in the R & D process, is large, but the input-output ratio is less stable than the traditional industry. The size of the pledge of the shareholders is to inquire and strictly control the large shareholders who have a high proportion of pledges and even 100% pledge. At the same time, the pledge party is required to disclose more perfect equity pledge information. When the quarterly reports are disclosed, it emphasizes the proportion of equity pledge, the closing line of each equity pledge, the warning line and the executives' proposed solutions to the pledge crisis, and strengthens the punishment for concealing information behavior. Secondly, it also needs clear disclosure and use reason for the liquidity of pledge income. According to the risk coefficient of different investment and the role of enterprise development, the available pledge fund upper limit is set, and there is a clear performance redemption time to reduce the abuse of equity pledge funds. For listed companies with relevant records of serious loss of trust, the implementation of equity pledge business monitoring and scale reduction with time or performance.

For the pledgee, it is also necessary to strengthen supervision. Equity pledge is an important business for brokers and banks. The pledgee often lowers the threshold for review and ignores market risks in order to expand business. Therefore, because of the policy orientation, the regulatory layer encourages equity pledge when the market is sluggish and the stock price is low. When the market is high, the equity pledge is appropriately controlled to avoid the risk of passive liquidation caused by market volatility.

A clearer responsibility system for both parties to the pledge is to protect the interests of investors. When there is a risk of pledge, there are practical and quick disposal methods to digest the adverse consequences. At the same time, reduce unnecessary nested services and reduce their inherent leverage to prevent risk multiplication.

Second, the "high transfer" behavior is a necessary means for listed companies to develop their financing capabilities in the secondary market. Almost all listed companies, including the well-known investors and investment research departments, have experienced "high delivery". ". Therefore, it is very necessary to make a sound regulatory system by reasonably using the stock dividend dividend policy. The regulatory authorities should further strengthen the timely supervision and inquiries on the high transfer of listed companies, require public reasons for transfer, and have long-term tracking of the performance after the transfer. At the same time, encourage high-quality, growth-oriented enterprises to carry out high-transfer, so that they can expand their financing capacity, strengthen stock liquidity, and allow "high-transfer" to form a natural screening threshold, so that investors who participate in the "high-transfer" target can obtain Long-term gains form a virtuous circle.

Third, investors should strengthen investor education, use common online trading platforms, disseminate investment knowledge, conduct risk warnings, strengthen information filtering, and monitor information that guides malicious speculation. Investors themselves need to strengthen their study of investment knowledge and avoid blind follow-up.

Finally, based on the research conclusions of this paper, for the "high-transfer new regulations", "Shenzhen Stock Exchange Information Disclosure Guide No. 1—High-rate Transfer of Shares", I hope that the equity pledge factors can be included in the scope of investigation and gradually perfect.

7. Insufficient and Prospect

The shortcoming of this paper is that there is no in-depth discussion of endogenous problems. In fact, there is a reverse causal problem between the equity pledge and the "high stock dividend", because the "high stock dividend" policy will increase the stock price after the announcement, which may in turn stimulate the shareholding pledge of the listed company's shareholders or increase the equity pledge ratio, which is needed further research and exploration. (Comment 6).

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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