



Game Analysis of Benefit Relationship between State and Enterprises from the Perspective of National Participation in Profit of SOEs

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ABSTRACT

Should SOEs pay a cost price for the unique advantages of the monopoly position they have and the tilting of financial policies? When it comes to national participation in profit, the benefit game relation between the state and enterprises will pose an impact on dividend benefit of nationals and sustainable development of enterprises. Since reform and opening up of China, the SOE dividend distribution has gone through several reforms. The current profit delivering ratio is lower than 30%. Depending on the nature, period and industry, the different choice regarding dividend distribution made by the state and SOEs will pose an impact on performance of the transaction cost and operation efficiency of the enterprise. Therefore, the enterprise dividend should be collected according to their categories reasonably, and the budget index should be refined to find a way to return the benefits to nationals.

Keywords: SOE dividend distribution, state-owned assets budget, enterprise profit, game

INTRODUCTION

As an enterprise, an SOE should distribute dividend to the government, which is the shareholder of SOEs, according to the market economic rule (Dewenter, K. L., Malatesta, P. H., 2001). However, when an SOE is going through a hard time, people will mostly try to help it bottom out. With constant improvement of the financial state of SOEs, they have survived the difficult period, and are now able to distribute dividend to the government. As such, reasonable dividend distribution does not pose a significant impact on reform of SOEs at present, and will also further influence the balanced operation of the national economy. Therefore, how to reasonably distribute the fat profit generated during operation of SOEs has become a hot topic of present days. The state, as an administrator, should collect revenues from the enterprises, which, in turn, as the economic subject, should distribute dividend to shareholders and the government. To sum up, dividend distribution of SOEs is of great reference value for the benefit relationship between the state and enterprises (Zheng, X.-L., 2010).

Considering the importance of SOE dividend distribution, this paper seeks to establish two related models according to the relation game between the economic efficiency of enterprises and preserved dividend between enterprises and the relation game between the transaction cost and the submitted dividend, in an effort to directly study the process of benefit distribution relation game, and carry out argument and analysis of the game of benefit relation between the state and enterprises. Based on the findings, related suggestions will be proposed, to foster

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State of the literature

- The Chinese government started the system of tax distribution reform from 1994. The fixed assets investment of SOEs was previously allocated by the central finance, and after the reform, it would come from enterprise loan from banks. Therefore, the enterprises must repay the capital and benefit. In addition, they should assume a great number of social functions. The government therefore would stop collecting profit earning of enterprises as a transitional policy. This policy was implemented for 13 years.
- In November 2010, the State Council decided to include enterprises subordinate to 2 SOEs and 5 major central departments into the implementation scope of central state-owned capital management budget. While giving consideration to the bearing capacity of central enterprises and expansion of the income scale of central state-owned capital management budget, the State Council sought to increase the collection ratio of state-owned capital gains of central enterprises.
- In the past, the SOEs were going through a hard time, and had not distributed any dividend to the state for a long time. Therefore, they are used to regarding the after-tax profits as the investment made by the state in the enterprises and reserving such profits. Now, the SOEs are developing rapidly and gaining a great amount of economic profit. It is very important and urgent to decentralize the power appropriately by granting the local government the benefit distribution power that corresponding to their ownership and right of use.
- Whether the government requires the enterprise to retain the operation revenue or submit the operation revenue to the state, and how we should deal with the game relation between the two mainly depend on how much transaction costs are incurred during operation and production of the enterprise, and the economic efficiency of the enterprise.

Contribution of this paper to the literature

- As the investor of SOEs, and the contributor or investor of state-owned assets, the state should assess the operation performance of SOEs based on the maximization of shareholders' profit. If an SOE fails to distribute its profit, the state, as a shareholder, will not be able to assess the performance of the SOE.
- Enterprises, as a good administrator, are obliged to maximize the profit. For both the state and enterprises, the profit maximization is a common pursuit. What's left to do is to balance the distribution of benefit between the two.
- Enhance the initiative of the local government to increase fiscal income, and improve the utilization efficiency of social funds and the financing capacity of the local government, thus meeting the fund demand of the local government in terms of technical education construction.
- From the perspective of property right and management system efficiency, the reform goal to establish the "level-by-level ownership" of state-owned assets owned by the central and local governments can be achieved if the system and economic conditions allow. In another word, the central government and the local government are two completely equal property right subjects of the state-owned assets in terms of market significance. Furthermore, for the overall architecture and internal relationship of state-owned economy, a sound system and law protection system can be built up based on the "one-level government, one-level property right and one-level credit" principle.

balanced benefit relationship between the two, maximum the benefit distribution between them and realize win-win development.

LITERATURES REVIEWING

Related Theories and Research Background of SOE's Dividend Distribution

Meade's dividend distribution theory

Dividend distribution theory: James Meade proposed in 1936 in his works titled *An Introduction to Economic Analysis and Policy* that: The state should gain profits from the capital and land it has invested in the socialized enterprises; it can distribute one part of the profits to consumers unconditionally as the social dividend, and uses another part of the profits to re-invest the socialized enterprises. This idea is called "social dividend distribution".

The national participation in profits to be discussed in this paper is actually related to the distribution of enterprise revenue between the state and the enterprises. In another word, re-production and re-investment will be carried out with part of the profits reserved by SOEs, and part of the remaining profits will be submitted to the state, which will redistribute the profits (Jiao, Jian, Liu, Yin-Guo, & Zhang, Chen, 2014).

Coase transaction costs theory

Transaction costs theory: Ronald Coase proposed the famous transaction costs theory in his works titled *The Nature of the Firm* published in 1937. However, Ronald Coase has not further analyzed the connotation of the theory, or did he give any description of the operability and the definition of transaction costs theory. Considering only the efficiency of resource configuration, the process of transaction will consume related resources. If the price of such a transaction is too high, this will result in reduction of resource configuration and economic benefit (Wu, Guo-Jiu, 2007).

Research background and necessity

(1) Research background

Since the reform and opening-up launched in last century, China has been sticking to centralized distribution and centralized sales. The operating profit generated from production and operation of SOEs will be submitted to the state. In the early stage of reform and opening-up, to guarantee fair competition between SOEs and other enterprises, the state started to implement a series of taxation reforms and defined the profit distribution of SOEs in a specific way. In particular, a tax will be levied upon the profit submitted by SOEs to the state at an approved uniform tax rate. The remaining part will be returned to the SOEs.

The Chinese government started the system of tax distribution reform from 1994. The fixed assets investment of SOEs was previously allocated by the central finance, and after the reform, it would come from enterprise loan from banks. Therefore, the enterprises must repay the capital and benefit. In addition, they should assume a great number of social functions. The government therefore would stop collecting profit earning of enterprises as a transitional policy. This policy was implemented for 13 years. After 2000, as reform of SOEs went deeper and deeper, and the operation status of SOEs got improved, their social pressure was decreasing and people were gaining more and more insight into the state property right and the earning. As such, more and more people proposed that the SOEs should submit their dividend to the government (Zheng, Xiao-Ling, 2017).

In November 2010, the State Council decided to include enterprises subordinate to 2 SOEs and 5 major central departments into the implementation scope of central state-owned capital management budget. While giving consideration to the bearing capacity of central enterprises and expansion of the income scale of central state-owned capital management budget, the State Council sought to increase the collection ratio of state-owned capital gains of central enterprises. The main content of state-owned capital operation budget is the submission of dividend to the state, which is also called "SOE dividend distribution". By that time, China's SOEs had not distributed any dividend to the government for more than 10 years.

(2) Necessity of research of SOE dividend distribution game

At present, there are still many problems with collection of SOE's profits. Firstly, the past treatment method does not fit in the economic status under the new situation anymore; in the past, the SOEs were going through a hard time, and had not distributed any dividend to the state for a long time. Therefore, they are used to regarding the after-tax profits as the investment made by the state in the enterprises and reserving such profits. Now, the SOEs are developing rapidly and gaining a great amount of economic profit. The national participation in profits starts to draw attention. Secondly, the government has not established the SOEs operation budget scheme and earning collection management system, with related law and regulation system being unsound. (Estrin, Saul, Meyer, Klaus E., Nielsen, Bo B., & Nielsen, Sabina, 2016). Furthermore, there is every little experience in distribution of SOEs' dividend to the state, and there is very few dividend distribution systems to be referred to. The lack of

system and experience makes the research of benefit relation game between the state and the enterprises extremely important.

How to reasonably distribute the profit of an enterprise has always been the focus of economists. For the long run, any company seeking for better development requires support of dividend policy, which is, however, not permanent. This phenomenon is called, in the financial economics, "the dividend puzzle". Therefore, many scholars have studied the dividend puzzle and they mainly focused on the relation between the dividend policy and the agency cost. According to Michael Joseph, dividend payout, as a part of the optimal supervising and restraining system of a company, can be used to reduce agency cost, which will also reduce with increase of the dividend (Chen, Hua, Shi, & Linlin, 2007). On the contrary, the distribution of dividend helped reduce the internal surplus capital of a company, thus increasing the need for external financing. Furthermore, in a capital market, financing requires external review and supervision of the government and banks; this reinforces external supervision over the company, and reduces agency cost of the enterprise (Rudy, Bruce C., Miller, Stewart, R., & Wang, D., 2016; Garde Sanchez, Raquel, Rodriguez Bolivar, Manuel Pedro, & Hernandez, A. M. L., 2017). This complicated correlation between dividend and agency cost can be regarded as the starting point for research of the benefit relation game between the state and the enterprises: Can we optimize the transaction cost between enterprises while maximizing the SOEs' dividend? Subjective analysis of the benefit game between the state and the enterprises is a key step toward realizing maximization of the benefit distribution between the state and enterprises and win-win development of the two.

RESEARCH DESIGN

Benefit Game between the State and Enterprises Based on National Participation in Profits

The data released by the Office for National Statistics show that the total profit of China National Petroleum Corporation in 2009 was 12.85 billion yuan. If the tax collection ratio is increased to 20%, then the tax will be 50 billion yuan. If an enterprise debt of 60% is imposed on the profit, the cash outflow of the enterprise would be 80 billion yuan. This will greatly reduce the financial leverage of the enterprise. From 2011 on, the government increased the state-owned capital gains collection ratio of all SOEs: 15 central enterprises including China Tobacco are required to submit 15% of the profits of the enterprises with income tax deducted; 78 central enterprises including Aluminum Corporation of China Limited are required to submit 10% of the after-tax profit; another 33 enterprises including China Aerospace Science and Technology Corporation are required to submit 5% of the after-tax profit.

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In the state-owned capital operation budget income from collection of dividend in proportion to the annual realized profit in the previous operating year of the SOE, the annual total revenue in recent years was as follows: 44 billion yuan and 76.51 billion yuan respectively in 2010 and 2011; 100.08 billion yuan in 2013; in particular, in 2013, the operation income of SOEs was 46,474.92 billion yuan, with profit of 2,405.05 billion yuan, for which only 4.2% will be submitted as dividend.

Table 1 shows that the dividend distribution ratio in 2016 was 11.24%; the ratio of submitted dividend to total profit of SOEs in previous years was quite low, which was not in consistency with the satisfactory profit status

Table 1. Operation Income and Dividend Distribution of SOEs from 2008 to 2016

Year	Annual total operation income	Realized profit	State-owned capital operation budget revenue
2008	212,547.0	12,743.4	547.8
2009	225,087.3	13,392.2	873.6
2010	303,253.7	19,870.6	440
2011	367,855	22,556.8	765.1
2012	423,769.6	21,959.6	844
2013	464,749.2	24,050.5	1,000.8
2014	480,636.4	24,765.4	2,007.59
2015	454,704.1	23,027.5	2,560
2016	458,978	23,157.8	2,602

of SOEs and the fact that they occupied a great amount of public resource. According to the national conventions, the ratio of shareholder dividend should account for 30% to 40% of the after-tax distributable profit of a listed company. However, the distribution of national dividend of state-owned capital is generally higher than this level. In the UK, the enterprises with higher profit may even submit 70% to 80% of their after-tax profit. In China, among the SOEs with relatively high profit, the highest ratio of dividend submitted to the state to the total after-tax profit is only 13%.

On one hand, SOEs, as public properties, are expected by the government to submit as much as the profit they have generated; on another hand, SOEs, with independent operation as the subject, will essentially seek for more retained profits. There will inevitably be conflict. When it comes to national participation in profits, there will surely be conflict between the state and enterprises over retained dividend, which results in game of benefit relation (Chen, Gongmeng, Firth, Michael, & Xu, Liping, 2009).

Whether the government requires the enterprise to retain the operation revenue or submit the operation revenue to the state, and how we should deal with the game relation between the two mainly depend on how much transaction costs are incurred during operation and production of the enterprise, and the economic efficiency of the enterprise. If by retaining the profit, the SOEs can obtain a higher economic efficiency, and the social transaction expense can be reduced, then the profit submission ratio of the SOEs should not be too high; on the contrary, if by collecting more enterprise profit, the state can increase the economic efficiency and reduce social transaction costs, the collection ratio of enterprise revenue should not be too low (Peng, Mike W., Bruton, Garry D., Stan, Ciprian V., & Huang, Yuanyuan, 2016).

How we should deal with the dividend distribution between the state and SOEs is the focus of discussion in this paper. Now we are in the era of dividend distribution of SOEs, how much and how SOEs should submit their profits has always been the sword of Damocles for the management. If the retain profit is too much, and the dividend submission ratio is too low, the regular income and expense of the national finance as a whole will be impacted, which will also do harm to the benefit of the public. On the other hand, if a great proportion of the retained dividend of SOEs is submitted, there might be breakage of cash flow, which will undermine the activity of the enterprise and kill enthusiasm of the enterprise management. Considering the special system background of China, this paper seeks to find a new research perspective to solve the problems with benefit game relation between the state and the SOEs from the point of view of transaction cost. This is the main purpose of the paper.

EVALUATED MEASUREMENTS

Analysis of Model of Benefit Relation Game between the State and SOEs

According to Ronald Coase, the concept of transaction expense is extremely important. According to this theory, operation of the market mechanism, use and arrangement of the system and change of the system arrangement all require cost. The generation and change of all system arrangements will be impacted significantly

by the transaction expense. According to the Coase theorem, the social transaction cost of an enterprise is the lowest and therefore is the most effective organizer. In another word, the purpose of existence of an enterprise is to reduce transaction cost, or to utilize internal transaction of the enterprise with a low transaction cost to substitute market transaction, which has a high cost. Therefore, the category of transaction cost has become a basic category of the temporary property rights theory.

In the relation between the state and SOEs in China, the revenue distribution power is a key element of property right, and serves as the core content and objective expression of the property right. Therefore, we should define clearly the ownership and right to use and related responsibilities of the government, and find out the gains receiving form that is in consistency with the property right, as well as the management element ownership of the specific supervisory personnel and managers and the form of element gains; correlate the property right with the responsibilities; and correlate the property right gains with the enterprise benefit (Peng, M. W., Tan, J., & Tong, T. W., 2004; Cull, R., Xu, L. C., 2005; Wang, Qian, Wong, T. J., & Xia, Lijun, 2008). Then the discussion of SOEs' dividend should focus on the scientific and reasonable submission mode and the submission ration, rather than on whether SOEs should submit their dividend. As such, the transaction cost included in the property right theory should be considered. How and how much an enterprise should submit their profit depends should depend on the amount of transaction expense and economic efficiency (Yang, Han-Ming, 2009). According to the deduction regarding transaction expense according to the Coase theorem, some hypotheses should be made regarding the economic efficiency and transaction cost of dividend to determine the nature of SOEs' dividend.

At first we need to have a hypothesis: The state is to decide the standard for profits retaining of SOEs. The government controls the dividend distribution of SOEs by controlling the base number of dividend and the submission ratio. The system implementation will be subject to impact of the transaction cost generated and economic efficiency of the enterprise operation.

Hypothesis I: The economic efficiency generated by the collected dividend of the state and that generated by retained dividend of the enterprise are different. For an enterprise, the economic efficiency of the enterprise, within a range, will increase with growth of the retained profits of the enterprise; however, if the range is exceeded, the economic efficiency of the enterprise will even drop.

Hypothesis II: The transaction cost generated by operation will vary with the dividend submission ratio. The rise of transaction cost with increase of dividend submission ratio of SOEs will reach the extreme at a certain critical point. Under such a hypothesis, for submission of SOEs' dividend, the agency cost can be reduced in early stages, so as to improve the economic efficiency, so as to realize high social benefit at a low social transaction cost. If the submission ratio is too high, the economic efficiency of the enterprise will be reduced and the transaction cost and consumption of the enterprise will be increased, resulting in lowering of the overall revenue level. For example, with decreased dividend submission ratio of SOEs and state-owned capital operation budget expenditure, the capital utilization efficiency will be low, and time cost, opportunity cost and capital cost will be consumed.

Building and Analysis of the Model

To test the hypothesis, models of the relationship between economic efficiency and retained profits of the enterprise and the relationship between the transaction cost and the submitted dividend are established. The data of SOEs in central enterprises indexes from 2001 to 2014, 14 years, are reorganized, with enterprises with debit and restructuring eliminated. **Figure 1** and **Figure 2** are given below:

According to **Figure 1**, the economic efficiency of an enterprise increases with the retained dividend before the peak; after the peak, the economic efficiency is no longer in positive correlation to the retained profits any more, and there is a negative correlation. The conclusion shown in **Figure 1** coincides with Hypothesis I, which states that within a certain range, the economic efficiency of the enterprise will increase with higher retained profit of the enterprise; without the range, the economic efficiency of the enterprise will drop.

Figure 2 shows that the transaction cost is in positive correlation to the dividend submitted, and will reach an extreme with increase of the dividend. The conclusion shown in **Figure 2** coincides with Hypothesis II, which

Economic efficiency

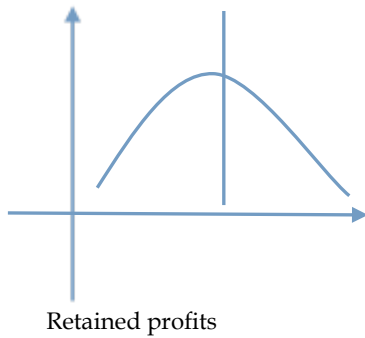


Figure 1. Model of Game Relation between Economic Efficiency and Retained Dividend

Transaction cost

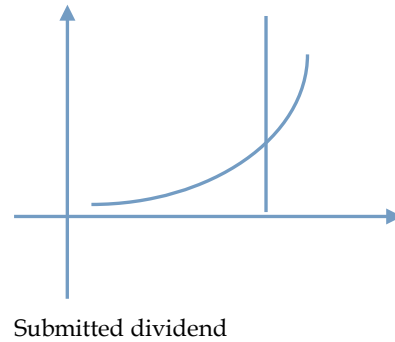


Figure 2. Model of Game Relation between Transaction Cost and Dividend Submitted

Table 2. Table of Economic Benefit and Cost Analysis

Item		State			
		Low submission ration and high retaining ratio		High submission ratio and low retaining ratio	
		Economic efficiency	Transaction cost	Economic efficiency	Transaction cost
Enterprise	I. Division of enterprise nature				
	Monopoly	Low	Low	High	High
	Competing enterprise	High	Low	Low	High
	II. Time period				
	Expanded enterprise	High	Low	Low	High
Contracted enterprise	Low	Low	High	High	

states that the transaction cost will increase with the submission ratio of SOEs' dividend and will reach an extreme at a certain critical point.

Based on **Figure 1** and **Figure 2**, we are going to further demonstrate the economic efficiency and transaction cost. Related data are collected according to the different nature of the enterprises, with the following table formulated:

Table 2 indicates that the response of economic efficiency and transaction cost of enterprises different natures and in different stages to different benefit distribution is different.

Model Conclusion

Based on the above hypothesis as shown in **Figure 1**, in the process of dividend submission of SOEs, the agency cost can be reduced in the early stage to increase the economic efficiency, thus realizing high social benefit at a low social transaction cost; if the submission ratio is too high, the economic efficiency of the enterprise will be compromised and the transaction cost and loss of the enterprise will be increased, resulting in decrease of overall benefit level. As shown in **Figure 1**, the economic efficiency is in direct proportion to the retained dividend of the enterprise before the peak; after the peak there is a negative correlation. As shown in **Figure 2**, the transaction cost is in direct proportion to the dividend submitted, and will increase with the dividend submission.

Based on the above hypotheses, different scenarios are selected to carry out analysis and make judgment. As shown in **Table 2**: According to the optimal selection, the "low submission ratio and high retaining ratio" are selected for competitive and progressive enterprises; according to the second-best solution, the "high submission

ration and low retaining ratio" system is chosen for monopolies and enterprises in the contraction period. (Li, Xinlong, 2013). We can draw such a conclusion: With different choice of benefit distribution between the state and the enterprises according to the difference in nature, period and industry, the performance of the enterprise in terms of operation efficiency and transaction cost will also be different.

According to **Figure 1** and **Figure 2**, we can easily make a decision to retain the maximum profit of an enterprise within a certain range; or require the enterprise to submit as much dividend as possible within this range, so as to maximize the economic benefit and reduce the transaction cost. According to the conclusion draw in **Table 2**, we can see that different judgment should be made regarding the benefit distribution between the state and SOEs in different development stages of an enterprise and for enterprises with different conditions. A correct judgment will benefit both the two parties, and reasonable dividend mechanism will indirectly increase the national dividend, and can also bring more profit gains to the enterprise.

If the collection ratio of SOEs' dividend is significantly increased by the government, there will be various constraining factors. At first, the SOEs are undertaking part of the state functions and a lot of special social functions; if the dividend submission ratio is increased significantly, the regular execution of such functions by SOEs will surely be compromised. Secondly, sudden increase of the submission ratio within a short time will be harmful to daily operation and development of the enterprise. As shown in **Figure 2**, excessive collection of enterprises' retained dividend will result in a sharp rise in the transaction cost, which indicates a lower utilization rate of the capital. The present public opinions and public sensation cannot be ignored; however, excessive increase of the dividend collection ratio is not practical. This should be done gradually rather than in one step. Rational thinking in this regard is very important to guarantee regular operation of the enterprise.

In the process of benefit game of profit distribution, as a stakeholder, the enterprise tends to transfer the profits generated by operation of the enterprise from the back end to the front end through various ways, and utilize the information asymmetry to increase the benefit distribution to the enterprise, and avoid collection of dividend by the state (Zhou, Fangzhao, Fan, Yunqi, An, Yunbi, & Zhong, Ligang, 2017). As shown in **Figure 1**, if the retained profit of the enterprise increases within a certain range, the enterprise will enjoy higher activity and vitality, which will lead the enterprise to automatically decrease the cost, increase the economic efficiency and promote reform and innovation. In addition, this will result in a greater independent space and capital of the enterprise; to a certain extent, decentralization is a win-win situation before a peak is reached (Johansson, Anders C., Feng, Xunan, 2016). After the peak, the economic efficiency will decrease, with the transaction cost increasing drastically, which is good for neither of the state or the SOEs.

RESULTS AND DISCUSSION

Different Treatment Methods Used for Different Industries to Reasonably Collect Dividend of SOEs

Collection of dividend of SOEs is constrained by various factors; at first, the SOEs are undertaking part of the state functions and a lot of special social functions; if the dividend submission ratio is increased significantly, the regular execution of such functions by SOEs will surely be compromised. Secondly, sudden increase of the submission ratio within a short time will be harmful to daily operation and development of the enterprise. Therefore, dividend distribution of enterprises should be treated on a case-by-case basis, with nature and stages of the enterprise taken into consideration. According to the existing enterprise data, the net assets income rate of industries such as petroleum, metallurgy and tobacco is higher than 20%, while that of unpopular industries such as building material, agriculture, forestry, animal husbandry and fishery is only about 3%. Therefore, enterprises in different industries should be treated differently, and a reasonable dividend collection ratio should be set accordingly.

Furthering Establishment of the Incentive Mechanism; Refining the Budget Indexes

The accounting system of SOEs should be further improved; a sound internal control mechanism, financial supervising mechanism and punishment and award system should be established (Wen, Zong-Yu, 2010). Management that over-fulfills the enterprise profit quota should be awarded and commended; quarterly prepayment and year-end settlement mode should be studied and established; the dividend submitted by SOEs should be used to perform social functions undertaken by SOEs, to solve problems such as social insurance, public health, education and employment. For example, the dividend submitted can be used to fill the gap between the social insurance fund budget and expenditure. This will not only strengthen the counterbalance and supervision by related authorities, but can also prevent public risks. This will give full play to the state-owned capital operation budget as the macro control measure of the government.

Establishment of Mediating Institution and Standardizing Distribution Mechanism

A dedicated mediating institution should be set up to coordinate with the enterprises and discuss the profit distribution scheme and supervise and collect the dividend distribution of SOEs (Zhu, Qing-Hua, Liu, Jun-Jun, & Jai, Kee-Hung, 2016). The dividend submitted by the SOEs is a part of key budget of the government's fiscal revenue, and it can be coordinated with the public financial budget. Besides furthering the incentive mechanism, we should also increase the review and punishment strength in terms of financial management, with formation of the constraining mechanism (Zhu, Hongjin, Yoshikawa, Toru, 2016). Furthermore, the distribution mechanism of SOEs' revenue should be standardized. Reform of employee salary total amount budget management of SOEs should be carried forward; SOEs revenue distribution supervision should be strengthened and the use scope of SOEs' profit should be expanded (Poczter, Sharon, 2017). At present, the profit of SOEs is mainly used for state-owned economic distribution and structural adjustment. What's more important is to utilize part of the SOEs' profit to supplement the social insurance fund and public utilities, which reflect the rights and interests of people as the real contributors of SOEs.

CONCLUSION AND RECOMMENDATION

The state, as an administrator, should collect revenues from the enterprises, which, in turn, as the economic subject, should distribute dividend to shareholders and the government. To sum up, dividend distribution of SOEs is of great reference value for the benefit relationship between the state and enterprises

As the investor of SOEs, and the contributor or investor of state-owned assets, the state should assess the operation performance of SOEs based on the maximization of shareholders' profit. If an SOE fails to distribute its profit, the state, as a shareholder, will not be able to assess the performance of the SOE. Without dividend distribution, the profit that is attributable to the state shareholder will be retained within the enterprise. Nationals, as the masters of the state, are entitled to the national dividend generated by production of SOEs. On the other hand, enterprises, as a good administrator, are obliged to maximize the profit. For both the state and enterprises, the profit maximization is a common pursuit. What's left to do is to balance the distribution of benefit between the two.

A reasonable enterprise benefit collection system is of great significance for national participation in profit in current stage of China. Only with an appropriate collection level can the sustainable development of SOEs be guaranteed and the maximum benefit of the state obtained. The benefit relation game between the state and enterprises is not a unilateral issue, and sufficient analysis and research are required to properly handle the benefit game between the two (Wang, Yong, Jin, Pengjian, & Yang, Chongsheng, 2016). Only through this way can the benefits be returned to the nationals and can the nationals fully enjoy the benefit from dividend distribution.

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