

DETERMINANTS OF DIVIDEND PAYOUT RATIO OF QUOTED CONGLOMERATES IN NIGERIA

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ABSTRACT

This study examines the effect of firm specific characteristics on dividend payout ratio of quoted conglomerates in Nigeria for a period of a decade; it covers the period of ten (10) years from 2004-2013. The population of this study comprised the eight (8) conglomerates firms quoted on the Nigerian Stock Exchange as at 31 December, 2013. Correlational research design and ex-post factor research design was adopted. Multiple regression technique was employed as a tool for analysis in examining the impact of firm specific characteristics on dividend payout ratio of Nigerian quoted conglomerates and the study relied on the OLS regression result. The findings revealed a positive and significant impact of profitability, and institutional ownership on dividend payout ratio while leverage had a negative and significant effect on dividend payout ratio. The study concluded that all the explanatory variables of this study (that is; profitability, leverage and institutional ownership) impact on the quantum of dividend paid by Nigerian quoted conglomerates firms. Therefore, it is recommended that the Nigerian quoted conglomerates should establish balanced leverage; right mix of debt and equity that will promotes its dividend payout ratio as it will encourage more investors into the firms.

Keywords: dividend pay-out ratio, profitability, leverage and institutional ownership

1. INTRODUCTION

When profits are realized from investment(s), the management of companies will have to decide what to do with it. Reinvesting is one option that may strengthen the financial needs of the organization. But a crucial question to ask is, what about the key players behind the realization of such profit? Certainly, they will be happy to have some benefits accrued to them and this benefit is technically called dividend, among others like; capital appreciation, the joy of being part of a firm. Therefore, dividend is perceived as reward for investors' financial commitment in a particular establishment. In setting out the payout ratio of firms, a lot of factors need to be given weighty consideration. Some of these factors on the one hand are external (that is, they are beyond the organization to act upon them), while on the other hand, internal factors also play key roles in deciding the quantum of dividend to be paid. Alkuwari (2009), observed that these factors' complexities and interrelationship at different times and circumstance will necessitate every firm to formulate its dividend payout pattern

Firms' profitability is a significant explanatory variable of dividend payout ratio (Turki & Ahmed (2013)). Scores of researches have shown over time that the more profitable a firm is, the more it's likely to give out a reasonable proportion of its earnings as dividend. John Holt Nig. Plc. is one of the quoted conglomerates that was almost constantly affected by losses. As at 31st September, 2011, they made a huge pretax loss of ₦ 1.94 billion which was subsequently followed by ₦ 1.8 billion in 2012 but after exceptional items were taken care of, they made a profit of ₦ 424 million. These constant losses by John Holt reduced their dividend payout ratio to the lowest minimum (Taofik, 2013). Firms' capital structure basically outlines the proper mix of debt and equity. Firms hardly survive on equity only and as such, they have to formulate the best financial mix that will give them the maximum benefit. Firms' leverage is very crucial in deciding the dividend payout ratio. Taofik (2013), analysed that between 2011 and 2012, UACN's finance income skyrocketed from ₦276.67 million to ₦1.04 billion which led the finance cost to shoot up from ₦261.32 to ₦860.25, consequently lowering the profit before tax from ₦4.61 billion to ₦3.95 within the periods; 2011-2012. This ultimately reduced its payout ratio over the period. When a firm is highly levered, it means it has more obligations to settle in the nearest future but at the same time, such leverage will become a control mechanism that will restrict the activities of the managers into using cash only in the best interest of the organization. Dividends are considered crucial for investors in their investment decisions. The presence of this group of investors serves as a control mechanism in the way and manner firms' resources are channelled and utilized. A. G Leventis (Nigeria) Plc, Chellarams Plc, UACN and SCOA (Nigeria) Plc have more

composition of institutional ownership when compared to John Holt Plc. This perhaps, contributed to the dwindling dividend payout by John Holt Plc. Mohammad, Zaid & Khaled (2013), suggested that concentrated institutional ownership creates an enabling environment to monitor managers effectively in the best interest of the organization.

The complexities tied to dividend payout ratio rendered it like a puzzle (Black, 1976), that is why a particular mathematical model has not been advanced in tackling the dividend payout ratio decision. Aivazian & Booth (2003) found out that the dividend puzzle still has so many unanswered questions, as such, it is still very tricky and involves judgment by the management team with due recognition to certain factors. Indigenization of firms in Nigeria received massive support which consequently leads to high development within the economy but the setback posed by the global financial crisis melted out the values of share which ultimately brought down its market value. Consequently; dividend realised dropped significantly. These conglomerates firms were not left out of the situation. Following the aforementioned events in the emerging markets and in Nigeria in particular; conglomerates firms in Nigeria like other firms had continued to alter their dividend paying pattern in order to ensure continual survival and maximize share price returns; dividend payout (Rufus & Soyeye, 2014). Dividend payout research received a tremendous reception in the advanced economies of the world such as United States of America (USA), France, United Kingdom (UK), among others (Pettit 1977). Literatures almost flooded these developed economies. However, little attention has been paid to dividend policy in emerging markets; especially Nigeria quoted conglomerates thus, this field is not well established in the financial literature. Results from previous studies have not been consistent in all respect and findings were mixed in some cases. It is on this premise that this research is carried out to add to the existing body of knowledge by empirically assessing the firms' characteristics on the dividend payout ratio of quoted conglomerates in Nigerian.

Specifically however, the study seeks to: Ascertain the impact of profitability on dividend payout ratio of quoted conglomerates in Nigerian, Examine the effect of leverage on dividend payout ratio of quoted conglomerates in Nigerian, and Analyse the impact of institutional ownership on dividend payout ratio of quoted conglomerates in Nigerian.

In line with the research objectives stated above, the hypotheses proposed to be tested in this study are formulated in Null form as follows:

H₀₁: There is no significant impact of profitability on dividend payout ratio of quoted conglomerates in Nigerian

H0₂: There is no significant effect of leverage on dividend payout ratio of quoted conglomerates in Nigerian

H0₃: There is no significant impact of institutional ownership on dividend payout ratio of quoted conglomerates in Nigerian

The remaining part of this study is organized as follows: Section Two provides the relevant literature concerning the subject matter and the theoretical framework. Section Three presents the methodology, description of the data and the empirical methods used as well as the model specification of the study. Section Four centers on the discussion of the results, and Section Five gives the summary, conclusion the finally gives recommendation.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

This section presents the supporting literatures for the study. The dependent variable is dividend payout and the independent variables are; Profitability, Leverage, and institutional ownership.

Profitability and Dividend payout

Mahira (2012), studied the determinants of dividend payout ratio with reference to Non-Financial Firms listed in the Karachi Stock Exchange (KSE). Profitability was an explanatory variable used to disclose the relationship and effect on dividend payout. 53 companies from 11 sectors were identified from the listed non-financial firms in the KSE that have been paying out dividend consistently for the past 6 years (2005-2010). Regression results revealed that profitability was found to be insignificant in context of Pakistani markets.

Turki & Ahmed (2013), studied firm factors determining dividend payout on Saudi Arabia stock exchange for the period of seven (7) years from 2004 to 2010. Using panel data, the findings from the ordinary least square showed that Earnings per Share (EPS) was significant and had positive relationship with dividends payout ratio. Furthermore, Faruk, Rashel & Akterujjaman (2013), studied the impact of firm specific factors on cash dividend payout decisions for a sample of 41 non-financial firms listed on Dhaka Stock Exchange (DSE) in Bangladesh for a period of 5 years (2007 to 2011). The regression analysis found that profitability has statistically significant positive effects on cash dividend payments.

Maniagi, Ondiek, Musiega, Maokomba & Egessa (2013), examined the determinants of dividend payout of non-financial firms listed on Nairobi Securities Exchange (NSE). Purposive sampling technique was used and samples of 30 non-financial companies for the duration of five years from 2007 to 2011 were selected. Return on equity, the proxy for profitability was found to be positively correlated to dividend

payout and the result of the regression was significant at 1% confidence level. Hashim, Shahid, Sajid & Umair (2013), studied the determinants of dividend payout of Pakistani banking sector. The study used data of 27 foreign and domestic banks operating in Islamic and conventional banking in Pakistan listed at different stock exchanges as a sample. Applying stepwise regression analysis, the results revealed that profitability is positively correlated to dividend payout of Pakistani banks and the regression result is highly significant at 1%. Christopher & Rim (2014), investigated the factors determining dividend payout ratio in the Lebanese banks listed on the Beirut Stock Exchange (BSE) for a period of seven (7) years (2005-2011). The study tested two models using the OLS and the dynamic panel regression and found a negative but significant impact of profitability on dividend payout. It showed that, more profitable firms pay fewer dividends to its shareholders in Lebanon banks. The result showed that the Lebanese banks prefer to invest their earnings on expansion rather than paying dividend.

Leverage and Dividend payout

Aasia, Waqas & Yasir (2011), explored the relationship between dividend policy and financial leverage of 403 companies, listed on the Karachi Stock Exchange for a period of 7 years (2002 – 2008). The regression analysis was performed on the panel data to examine the significance and magnitude through fixed and random effects models and the outcome indicated that leverage had a negative as well as significant impact on dividend payout. Abdul & Haruto (2012), examined the determinants of dividend payout ratio in Karachi Stock Exchange (KSE) for 50 companies that announced dividend in 2009 from a total of 110 companies. The regression result revealed that, leverage was found to be positive and a significant determinant of dividend payout ratio in Pakistan. Salisu & Tesleem (2013), studied the determinants of dividend payout ratio of listed firms in Nigerian Stock Exchange for the year 2013. Out of 180 listed firms in Nigerian Stock Exchange, only 44 firms announced dividend payment in year 2013. The results of the OLS revealed that leverage had positive and significant influence on dividend payout ratio of listed firms in the Nigerian Stock Exchange for the 2013 year. Zahangir & Mohammad (2013), critically examined the influence of certain firm factors of United Kingdom (UK) based companies listed in London Stock Exchange and those of Bangladesh. The study revealed that, in case of the UK based companies, leverage influenced the dividend rate positively. Whereas, leverage influenced the dividend rate negatively in case of Bangladeshi company. Muhammad & Saddia (2014), examined the impact of leverage on dividend payment pattern of Pakistani manufacturing firms. The annual data for 44 companies from 2006 – 2011 were used as sample in the study. The findings of the OLS technique showed that leverage has significant negative impact on dividend payment pattern of sampled firms.

Institutional Ownership and Dividend payout

Sharma (2006), investigated the relationship between corporate governance and dividend payout for a panel of Indian firms for a period of 6 years (1994 – 2000). The regression result revealed a positive and significant relationship and impact of dividend payout ratio and ownership by corporations. This proved that, the presence of institutional owners serve as an effective mechanism for monitoring the activities of the firms towards rendering the desired result. Anil & Kapoor (2008), studied the impact of firm specific factors on corporate dividend payments. They analyzed 180 companies listed at KSE Pakistan, for a period of twenty two (22) years (1981 to 2002). The outcome from the regression revealed that institutional ownership is positively and significantly influencing dividend payout ratio. Sasan, Mohammad & Hoda (2011), examined the relationship between dividend payout ratio and ownership structure in Tehran Stock Exchange for a period of 7 years (2000 to 2007). The study used four regression models: the full adjustment model (FAM), the partial adjustment model (PAM), Earnings trend model (ETM) and the Waud model (WM) to test the hypotheses. Institutional ownership was negatively associated with dividend payout. It indicated that the presence of institutional investors results in less usage from dividend as a signal for good corporate performance. However, when concentrated ownership was tested, a positive relationship was found with dividend payout ratio. Maniagi, Ondiek, Musiega, Maokomba & Egessa (2013, examined the determinants of dividend payout of non-financial firms listed on Nairobi Securities Exchange. Samples of 30 firms were drawn from the population of 50 listed firms for a period of half a decade (2007 – 2011). Multiple regression technique was used in analysing the data. The results indicated that institutional ownership was a strong positive determinant of dividend payout which is significant at 1%. Mohammad, Ziad & khaled (2013), investigated the effect of institutional ownership on corporation dividend policy using 35 Jordanian corporations listed on the Amman Stock Exchange over the period of 2005 - 2010. The regression result followed a positive association which is significant.

Theoretical framework

Life Cycle Theory

Numerous theories (Modigliani & Miller, Signalling theory, agency theory, life cycle theory, bird in hand theory among others) have been advanced by scholars on dividend to give a comprehensive explanation on the workability of dividend decisions and its influence on the value of firms and or investors. However, the life cycle theory was used to underpin the study. Laarni and Narayanan (2009) posited that “the firm life cycle theory of dividends contends that the optimal dividend policy of a firm depends on the firm’s stage in its life cycle. The underlying premise is that

firms generally follow a life-cycle trajectory from origin to maturity that is associated with a shrinking investment opportunity set, declining growth rate, and decreasing cost of raising external capital.” Small and newly established firms will be constrained from paying dividend because of their sizes and other cost which will require them to keep withholding back profit for further expansion. As firms get to the maturity stage, it opportunities begin to decline and at this point, it begins to think of paying out dividend to its shareholders. The more matured a firm is, the higher it prospect of paying higher dividend.

3. METHODOLOGY

Correlational research design was adopted for this study. In view of the relationship between the dependent variable and the independent variables, a correlational research design is therefore considered the most appropriate for the study because, it allows for testing of expected relationship between or among variables and making prediction regarding these relationships. This study utilised data only from secondary sources for the period of a decade (10 years) ranging from 2004 –2013. The population of the study comprised all conglomerate firms listed on the Nigerian Stock Exchange but applying the filters below;

- i. The firms to be selected in constituting the sample must have been listed on the Nigerian stock exchange prior to the year 2003
- ii. The firms to be selected must have complete information for the period under study.
- iii. The firms to be selected must be trading on the Nigerian stock exchange as at 31st December, 2013.

Five (5) firms were duly selected out of eight as sample size for this study. Transnational Corporation of Nigeria could not make the list considering it year of incorporation (2004) and the year it was listed into the Nigerian Stock Exchange (2006). PZ Cussons Nig. Plc and Unilever Nig. Plc. were not listed on the Nigerian Stock Exchange as at 31st December, 2013. We are thus left with five conglomerate firms which satisfied the above filters and they represented approximately 62.5% of the population under study; thus giving us a total 40 firm observations. The data was analyzed using Multiple Regression Technique (OLS method).

Table 1. DESCRIPTION OF VARIABLES AND MODEL SPECIFICATION

Variable	Proxies / definition	Expected signs
Measurement		
<u>Dependent Variable</u>		
Dividend Payout	This is measured as ratio of yearly dividend to net income after tax (Abdul & Haruto 2012)	
<u>Independent Variables</u>		

Profitability	The profitability is measured by Earnings per Share (EPS) = Net Profit/ Number of Equity shares outstanding.	+ or -
Leverage	-Financial leverage was measured by the ratio of total debt to total asset. It measures the percentage of debt over firms' total asset (uwuigbe 2013).	+ or -
Ownership structure	-Amount of stock owned by institutional shareholders divided by total shares. (Maniagi, Ondiek, Musiega, Maokomba & Gessa (2013)	+ or -

Model specification

Since the study seeks to examine the variables influencing dividends payout ratio of listed conglomerate firms in the NSE over a decade, the model for this study was a panel regression. The panel data model is succinctly captured below:

$$\text{DPR} = f(\text{PROF, LEV and OS}) \dots\dots\dots(1)$$

The final model for the study is presented below:

$$\text{DPR}_{it} = \beta_0 + \beta_1\text{PROF}_{it} + \beta_2\text{LEV}_{it} + \beta_3\text{OS}_{(it)} + \mu_{it} \dots\dots\dots(2)$$

Where:

DPR_{it} = Dividend Payout Ratio

β₀ = intercept

β₁- β₃ = Coefficient of the independent variables

PROF = Profitability

LEV= Leverage

OS= Ownership Structure

μ_{it} = Residual or error term of firm 'i' in period't'.

4. RESULTS AND DISCUSSIONS

This section begins with the presentation of the descriptive statistics of the data, to be followed by the correlation matrix table of the observed sample and finally, the regression results of the study.

Table 2: Summary of Descriptive Statistics

Variables	OBS	Min.	Max.	Mean	Std. Dev.
DPR	50	0	0.95	0.3378	0.2242292
PROF	50	-10.99	10.66	1.5312	3.729515
LEV	50	0.42	6.05	1.9016	1.285981
IO	50	0.04	0.87	0.301	0.3055824

Table 1 above presents the descriptive statistics for all the variables. This shows that the average dividend payout ratio for the sample firms over the study period was approximately 33%, with a standard deviation of 0.2242292. This implies that on an average the sample firms paid about 33% of their earnings as dividends during the study period. Profitability has the least contribution to dividend payout of quoted conglomerates with a standard deviation value of 3.729515 while institutional ownership has the highest contribution to dividend payout of quoted conglomerates with a standard deviation value of 0.3055824.

Correlations Matrix

The correlation matrix result (refer to appendix 'a') indicated that; profitability and institutional ownership are positively and significantly related with dividend payout ratio of quoted conglomerates in Nigerian to the tune of 60% and 32% respectively while Leverage is negatively and significantly related to dividend payout by 40%.

Robustness tests.

To enhance the validity of all statistical inferences drawn in this study, it was imperative that the study carryout the recommended robustness test to validate the inferences.

Unit root test: this test was carried out in order to rule out the possibility of nonsensical regression, and in addition autocorrelation was also conducted to give room for the use of OLS

Multicollinearity Test: The relationships amongst the independent variables were observed to be insignificant except for a handful that was significantly related. This will not be a premise enough to say that there is multicollinearity except if the tolerance and Variance Inflation Factor (VIF) is above the required limit. The rule of thumb is that the tolerance value should be less than one (1) and the VIF should be less than ten (10). The tolerance values of all the variables were less than one; this indicated that there is the presence of harmless multicollinearity (refer to appendix 'a'). This is because; the closer the tolerance value is to one, the greater the evidence that there is no colinearity between the explanatory and the explained variable. The VIF is another esteemed test for multicollinearity. All the variables had VIF values of less than two (see appendix 'a').

Heteroscedasticity Test: To test for heteroscedasticity, an important assumption of the classical linear regression model (Assumption 4) need to be heeded to. This assumption states that the disturbances μ appearing in the population regression function are homoscedastic. That means they all have the same variance. When the probability of the chi-square value is significant either at 1%, 5% or 10% level of

significance, we therefore concluded that there is presence of heteroscedasticity and if otherwise, it showed the presence of homoscedasticity. The Breusch-pagan / Cook-Weisberg test for heteroscedasticity carried out revealed that the probability of chi-square (0.3146) is not significant at either 1%, 5% or 10% level of significance and the chi-square value is 1.00. This is an indication of homoscedasticity of the data within the study period. Because of this, the study will rely on the results obtained from the Ordinary Least Square (OLS) estimator and no further robustness diagnosis will be carried out.

Presentation and interpretation of Regression Result

The results of Ordinary Least Square regression are shown in Table 4.3.

$$DPR_{it} = \beta_0 + \beta_1 PROF_{it} + \beta_2 LEV_{it} + \beta_3 IO_{it} + \mu_{it}$$

Table 3 Summary of Regression Results (OLS)

Variables	Co-efficient	p-value	Sig.
Constant	0.2979	5.83	0.000
Prof	0.0372	4.64	0.000
Lev	-0.0465	-2.69	0.010
Io	0.2356	3.23	0.002
R ²			0.5837
Adjusted R ²			0.5566
F-Statistic			21.50 (0.0000)
Hetttest: Chi2			1.00 (0.3146)
Mean VIF			1.07

Source: Result output from STATA

The R² which is the multiple co-efficient of determination has the value of 58% which signifies that, total variation in dividend payout is caused by; profitability, leverage and institutional shareholding of quoted Conglomerates in Nigerian, while the remaining 42% was explained by factors outside the model. The F-statistics value of 21.50 revealed that the model is statistically significant at the level of 0.0000, showing the applicability of the overall model.

Profitability and Dividend Payout Ratio

Profitability has a positive value of 4.64 and a coefficient value of 0.03 which is significant at 0.000. The finding indicated that the profitability of the firm is positively and significantly influencing the quantum of dividend payout of quoted conglomerates in Nigerian. This positive impact of profitability on dividend payout of the firm implies that for every 1% increase in profitability, the dividend payout will be increased by 3 kobo. We therefore reject the null hypothesis of the study

Leverage and Dividend Payout Ratio

Financial leverage has a p-value of -2.69 and a co-efficient value of -0.05 with a significant value of 0.010. The significant level of 10% shows that the higher the value of leverage, the lower the dividend payout of the firm. The inverse effect of leverage on dividend payout ratio implies that for every 1% increase in leverage of Nigerian quoted conglomerate, it will cause the dividend payout to reduce by 5 kobo. The result made the study to reject the null hypothesis formulated

Institutional ownership and Dividend Payout Ratio

Institutional ownership has a p-value of 3.23 and a co-efficient value of 0.24 which is significant at 10%, with a significant value of 0.002. The positive relationship between institutional ownership and dividend payout implies that for every 1% increase in institutional ownership, dividend payout increase by 24 kobo. The higher the institutional owners in firms, the more it effectively monitor it investments to avoid wasteful utilization of funds by the managers and consequently, there will be enough cash available from which dividend can be paid. The finding necessitated the rejection of the null hypothesis formulated.

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

The study investigates the determinant of Dividend Payout Ratio of quoted Conglomerates in Nigeria for the period of 2004-2013, for a sample of 5 listed firms in the above mentioned industry, using a panel regression. The study focused on three explanatory variables (profitability, leverage, and institutional shareholding) as proxy for the firms' specific characteristics and one dependent variable which is dividend payout ratio of quoted Conglomerates firm. The study made use of the Ordinary Least Square (OLS) regression to investigate the impact. The outcome from the OLS suggested that two of the explanatory variables (profitability, and institutional shareholding) have positive and significant relationship with dividend payout ratio of quoted Conglomerates in Nigeria, while leverage is negatively and significantly impacting dividend payout of the firm. The study thus provides additional literature in the field of firms' characteristics and dividend payout. More so, the outcome of this study will help finance experts, regulators, as well as investors

with the requisite insight into the interplay between and amongst various firms' factors in determining the quantum of dividend to be paid.

From the statistical and empirical evidence by using three explanatory variables (profitability, leverage, and institutional shareholding) in predicting and explaining the dividend payout of Nigeria quoted conglomerates, the study thus conclude: profitability and institutional ownership are positively and significantly influencing the dividend payout ratio of Nigerian quoted conglomerate, while leverage has a negative and significant impact with dividend payout.

Based on the findings of this study, it is recommended that;

- i. Since increase in profitability by 1% will have a corresponding increase of 3 kobo on dividend payout ratio, conglomerates firms should expand it activities by atleast 1.5% so see the corresponding effect on dividend payout of firms.
- ii. Nigerian quoted conglomerates should try to encourage institutions into acquisition of shares in it so that it activities can be monitored. Institutions can be brought into the centre stage by selling shares to them at a discounted rate; as this will motivate them to have more shares in the industry.
- iii. Firms should reduce the rate of debt as it lowers the quantum of it dividend payout. Betters still, quoted conglomerates firms should source fund at a cheaper cost as this will help in increasing their profit margin which will eventually translate into dividend.

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Appendix (a)

STATA output

. xtset id year, yearly
 panel variable: **id (strongly balanced)**
 time variable: **years, 2004 to 2013**
 delta: **1 year**

. su dpr prof lev io, detail

dpr

Percentiles	Smallest		
1%	0	0	
5%	0	0	
10%	0	0	Obs 50
25%	.19	0	Sum of Wgt. 50
50%	.35		Mean .3378
			Std. Dev. .2242292
		Largest	
75%	.45	.67	
90%	.605	.7	Variance .0502787
95%	.7	.89	Skewness .4094261
99%	.95	.95	Kurtosis 3.171301

prof

Percentiles	Smallest		
1%	-10.99	-10.99	
5%	-2.44	-8.03	
10%	-.57	-2.44	Obs 50
25%	.34	-1.04	Sum of Wgt. 50
50%	.7		Mean 1.5412
			Std. Dev. 3.727336
		Largest	
75%	2.2	8.87	
90%	6.905	9.65	Variance 13.89303
95%	9.65	10.36	Skewness -.0713712
99%	10.69	10.69	Kurtosis 6.020176

lev

Percentiles	Smallest		
1%	.42	.42	
5%	.47	.44	
10%	.625	.47	Obs 50
25%	1	.54	Sum of Wgt. 50
50%	1.41		Mean 1.9016
			Std. Dev. 1.285981
		Largest	
75%	2.48	3.78	
90%	3.685	4.93	Variance 1.653748
95%	4.93	5.24	Skewness 1.286568
99%	6.05	6.05	Kurtosis 4.405908

io

Percentiles	Smallest		
1%	.04	.04	
5%	.05	.05	
10%	.05	.05	Obs 50
25%	.05	.05	Sum of Wgt. 50
50%	.16		Mean .301
			Std. Dev. .3055824
		Largest	
75%	.5	.87	
90%	.85	.87	Variance .0933806
95%	.87	.87	Skewness .9262995
99%	.87	.87	Kurtosis 2.275121

. pwcorr dpr prof lev io, star (0.05) sig

	dpr	prof	lev	io
dpr	1.0000			
prof	0.6048* 0.0000	1.0000		
lev	-0.4038* 0.0036	-0.0886 0.5407	1.0000	
io	0.3170* 0.0249	-0.1171 0.4182	-0.2564 0.0723	1.0000

. reg dpr prof lev io

Source	SS	df	MS	Number of obs =	50
Model	1.43803736	3	.479345788	F(3, 46) =	21.50
Residual	1.02562061	46	.0222961	Prob > F =	0.0000
Total	2.46365798	49	.050278734	R-squared =	0.5837
				Adj R-squared =	0.5566
				Root MSE =	.14932

dpr	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
prof	.0372233	.005807	6.41	0.000	.0255344 .0489122
lev	-.0465046	.0172936	-2.69	0.010	-.0813148 -.0116943
io	.2355741	.0729924	3.23	0.002	.088648 .3825002
_cons	.2979568	.0510849	5.83	0.000	.1951281 .4007854

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of dpr

chi2(1) = 1.01

Prob > chi2 = 0.3146

. vif

Variable	VIF	1/VIF
io	1.09	0.914578
lev	1.09	0.920008
prof	1.03	0.971246
Mean VIF	1.07	