IMPACT OF CORPORATE OWNERSHIP STRUCTURE ON DIVIDEND POLICY OF QUOTED CONGLOMERATES IN NIGERIA

BY

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BEING A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE STUDIES, AHMADU BELLO UNIVERSITY ZARIA, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M.Sc.) DEGREE IN ACCOUNTING AND FINANCE

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DECLARATION

I declare that this M.Sc. Dissertation entitled "Impact of Corporate Ownership Structure on Dividend Policy of Quoted Conglomerates in Nigeria" has been carried out by me in the Department Of Accounting. The information derived from the literature has been duly acknowledged in the text and a list of references provided. No part of this thesis was previously presented for another degree or diploma at this or any other institution.

_____ _____

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CERTIFICATION

This dissertation entitled "Impact of Corporate Ownership Structure on Dividend Policy of Quoted Conglomerates in Nigeria" by Olumuyiwa Oluwafemi, AFOLAYAN meets the regulations governing the award of the degree of Master of Science in Accounting and Finance of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This M.Sc. Dissertation is dedicated to God Almighty who saw me through the programme. I also dedicate it to my wonderful parents Dr and Mrs. S.B Afolayan for their prayers, care and support over the years.

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First and foremost, I want to express my sincere gratitude to God Almighty for sustaining me throughout the period of my M.Sc academic pursuit. He has indeed been the source of my strength, wisdom and understanding. To Him be all the glory.

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ABSTRACT

Ownership structure is considered critical in determining the efficacy of the market by showing the extent of risk diversification of shareholders and possible agency problems encountered in the course of managing the firm. Existing studies have shown that the nature of firm's ownership structure has a great impact on firm's performance and dividend policy in particular. However in Nigeria, little has been done in investigating the relationships between various forms of ownerships and dividend policy. This study is therefore aimed at assessing the impact of corporate ownership structure on dividend policy of quoted conglomerates in Nigeria. Correlational research design was used in a sample of five (5) conglomerates using panel data for a period of ten years (2003-2012). The study employed Ordinary Least Squares (OLS) technique of data analysis. The study, after controlling for firm size and leverage, found that ownership structure has significant positive impact on the dividend policy of quoted conglomerates in Nigeria at 99% confidence level. Specifically, the study found that managerial ownership has significant negative impact on the dividend policy of quoted conglomerates in Nigeria. The study also found that institutional ownership has significant positive impact on the dividend policy of quoted conglomerates in Nigeria during the period of the study. Furthermore, the study found that ownership concentration has a significant positive impact on the dividend policy of quoted conglomerates in Nigeria during the period of the study. The study, among others, recommends that government and its relevant agencies should review and increase monitoring on the equity ownership of the managers, due to its significant influence on the dividend policy, which may lead to an increase in the power and control of the managements over the resources of the firm.

TABLE OF CONTENTS

Title page		i
Declaration		ii
Certification		iii
Dedication		iv
Acknowledgements		v
Abstract		vi
Table of contents		vii
List of Tables		ix
CHAPTER ONE: INTRODUCTION		
1.1	Background to the Study	1
1.2	Statement of the Problem	4
1.3	Objectives of the Study	7
1.4	Research Hypotheses	7
1.5	Scope of the Study	8
1.6	Significance of the Study	8
CHAPTER TWO: LITERATURE REVIEW		
2.1	Introduction	9
2.2	Concept of Ownership Structure	9
2.3	Dividend and Dividend Policy	14
2.4	Review of empirical Studies	20
2.5	Theoretical Framework	32

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction 36

3.2 Research Design 36

3.3 Population and Sample of the Study 36

3.4 Sources and Method of Data Collection 37

3.5 Technique of Data Analysis 37

3.6 Variable Specification and Measurement 38

3.7 Models Specification 39

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction 40

4.2 Descriptive Statistics 40

4.3 Correlation Results 44

4.4 Regression Results 47

4.5 Hypotheses Testing 50

4.5 Discussion of Major Findings 54

4.6 Policy Implication of the Findings 55

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary 56

5.2 Conclusions 57

5.3 Recommendations 58

5.4 Limitations of the Study 59

References 60

Appendices 67

LIST OF TABLES

Table 4.1	Descriptive Statistics of the Variables	40
Table 4.2	Correlation Matrix of Dependent and Independent Variables	44
Table 4.3	Summary of Regression Results (Model One)	47
Table 4.4	Summary of OLS Regression Results (Model Two)	49
Table 4.5	SUEST and OLS Regression Coefficients	50

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Ownership structure of a firm can be viewed as the nature in which firm's equity holdings are structured. It may also be viewed as stakeholder ownership proportion in the firm. Ownership structure is very important and influential in determining the efficacy of the market by giving information about two significant things (Carvalhal-da-Silva & Leal, 2004). Firstly, it will show the extent of risk diversification of shareholders and secondly, it will give possible agency problems encountered in the course of managing the firm. Several studies have shown that the nature of firm's ownership has a great impact on firm's performance such as Brigham (1995, Short and Keasey (1999), and Chung and Pruitt (1996). Since ownership structure may affect a firm's performance, it can be deduced that a firm's dividend policy which is an important determinant of firm's performance could also be affected by firm's ownership structure (Zeitun& Tian, 2007).

The dividend puzzle has not only been an enduring issue in finance; it also remains unresolved. Almost three decades ago, Black (1976) described it as a puzzle, and since then an enormous number of research have tried to solve the dividend puzzle. Allen, Bernardo and Welch (2000) summarized the current consensus view when they concluded that though a number of theories have been put forward in the literature to explain their pervasive presence, dividends remains one of the thorniest puzzles in corporate finance. Dividend policy is one of firm's decisions that are found to be influenced by corporate ownership structure (Ramli, 2010). Dividends can be used to mitigate agency problems in a company, thus substitute large ownership as monitoring tools. On the other hand, large shareholders could use their power to expropriate corporate resources for their own private consumption. This could limit the dividend payments of companies that are associated with severe agency conflicts. In view of this argument, it is essential to examine the association between

large shareholders, especially the largest shareholder and dividend policy to gain better understanding of corporate dividend decisions (Rozeff 1982; Easterbrook 1984; Jensen 1986; Faccio, 2001).

Dividend policy is an influential control vehicle to reduce the conflicting interests of the shareholders and managers because shareholders are interested in getting dividends, but managers prefer to retain earnings (Rozeff 1982). Managers want to retain earnings for maintaining higher control over the resources. In view of agency theory, according to Pinkowitz, Stulz and Williamson (2006), those who control the firm are tempted to do what is in their best interest. Managers are more likely to act in the interests of shareholders and pursue value-maximizing policies when corporate governance works well. One dimension of conflict is the link between insiders' i.e managers and outside shareholders. Managerial ownership, institutional ownership, ownership concentration and non-executive director ownership would be identified as viable monitoring of the managers opportunistic discretions. Rozeff (1982) opined that managerial ownership can be used for the alignment of interests between managers and shareholders however this relationship may combine a convergence effect at lower levels of managerial ownership with an entrenchment effect at higher levels of managerial ownership.

The presence of institutional investors may lead firms to change their behavior. They have the influence on investee corporations and can affect their policies because of their substantial shareholdings. Institutional investors are playing an increasingly important role in the stock market. The increased demand of institutional investors for large stocks can increase the price and return of large company stocks. Institutional investors can serve as an alternative monitoring mechanism to

dividend because their stake and voting power in the firm gives them the incentive and ability to influence managerial behavior (Shleifer &Vishny 1986).

According to Jensen and Meckly (1976), a firm whose share ownership is highly concentrated is deemed to be highly monitored. This suggests that the few concentrated owners can bear the fixed cost of monitoring the managers and that the monitoring cost is indeed lower than the agency cost to be incurred in the absence of monitoring. The stakes of concentrated owners pose a strong motivation to monitor managers and hence safeguard their stakes. The issue of dividend policy is one that has engaged managers since the birth of the modern commercial corporation. Surprisingly then dividend policy remains one of the most contested issues in finance.

Dividend policy varies across countries (Laporta, Lo'pez-de-Silanes, Shleifer &Vishny,2000). Prior studies suggested significant differences in dividend policy between developed countries and developing countries (Abdelsalam , El-Masry&Elsegini, 2000). Most studies argued that corporate governance practices including ownership structure are affected by environmental characteristics. Therefore, the relationship between ownership structure and dividend policy is expected to be different in various environments and countries (Gillan& Starks, 1998 & Claessens, Simeon & Larry, 2000).

Investors mainly look at dividend information to assess the capital market and hence under such a scenario, it becomes extremely crucial to understand the dividend policy of a firm and identify the factors that affect same. One such important, but neglected factor to be considered when studying the dividend policy of a firm is the ownership structure. In Nigeria, the ownership structure is highly dispersed and varies from firm to firm. Corporate ownership in most firms is concentrated and

companies are often controlled by a small number of related shareholders. Thus, in the context of a developing economy, such as Nigeria, ownership structure can play a major role in understanding the dividend policy of a company and in mitigating agency problems. (Adeniran&Alade, 2012). Hence, this study attempts to fill up this research gap by trying to establish a relationship between ownership structure and dividend policy of quoted Conglomerates in Nigeria.

1.2 Statement of the problem

Several studies have been carried out to ascertain the relationship between ownership structure and the dividend policy of firms, but quite a number of these studies are from different parts of the world most especially in developed countries, such as Gugler (2003) who studied the relationship between ownership structure and dividend policy of Austrian firms. Kumar (2003) also examined the possible association between ownership structure, corporate governance and dividend policy of Indian firms. Mancilleni and Ozkan (2006) equally examined the impact of ownership structure on the dividend policy of Italian firms and. Mat, Nor and Sulong(2007) also empirically examined the relationship between various forms of ownership structure and dividends in Malaysia. Researchers are yet to reach a consensus on why firms pay dividends and what determines the payout ratio. The enormous amount of literature on dividend policy has not provided firms with any generally accepted prescription for the level of dividend payment that will maximize shareholders value. Gordon (1959) is of the opinion that dividends increase shareholders wealth. Harford, Jenter and Li (2006) and Chen and Ho (2000) have emphasized the potential conflicts of interest between managerial shareholders and other shareholders of firms. Agency problems usually arise as a result of conflicts of interest between managers and shareholders which implies that agency costs are zero in a wholly owner-managed firm. As a company's ownership structure changes and ownership is separated from control, incentive alignment problems become evident. It is assumed that if managers and shareholders are left alone, they will attempt to act in their own self-interest. Self-

motivated management behaviours include direct expropriation of funds by the manager and consumption of excessive perquisites. Hence, the nature of monitoring contracts the manager's taste for no pecuniary benefits (Jensen &Meckling,1976)

In Nigeria, the earliest researches on dividend policy focused attention on the dividend behaviour of Nigerian companies since and during the period of indigenisation.Uzoaga and Aloizieuwa (1974) investigated the pattern of dividend policy pursued by a sample of 13 companies within four years (1969-1972) which covers the indigenisation period. The study concludes that the change in the level of dividend paid by the companies could best be explained by fear and resentment rather than the conventional factors used in the Linter's model. This conclusion was challenged by later studies such as Inanga (1975, 1978),Soyode (1975), and Oyejide (1976). They criticized Uzoaga and Alozieuwa's study for its failure to empirically test the contribution of conventional factors to change in dividend of the affected companies. However, Inanga (1975) and Soyode (1975) also failed to empirically investigate the extent to which Lintner's model could be used to explain the dividend policy of the companies in Nigeria. The two studies rather advanced both conventional and non-conventional factors (such as excess liquidity resulting from the infusion of new capital and the unrealistic pricing policy of the Capital Issues Commission) as explanations for the change in the dividend behaviour of their sampled companies. The work of Oyejide (1976) appears to be the first published study in Nigeria that tested empirically the Lintner's model as modified by Brittain (1966). The study covered a longer time period of eight years from 1968 to 1976 and an increased sample size of 19 companies in comparison with the four-year period and 13 companies used in previous studies. The study found strong support for the Lintner's model in Nigeria. Several other Nigerian studies have confirmed the findings of Oyejide (1976). Izedonmi and Eriki(1996) tested the modified Lintner's model using data from 1984 to 1989 while Adelegan (2003) re-evaluated the incremental information content of cash flow in the modified Lintner's model using data from 1984 to 1997.Lintner's model was formulated

by John Lintner in the 1950's. The model shows how firms "smooth" dividend payout such that when firm's earning per share increases, the target payout increases but the firm does not go immediately to the target but only part of the distance between last period's dividend and the target. Their results are consistent with the findings of Oyejide (1976).

Due to the peculiarity of dividend problems around the world, few studies in developed countries that have tried to assess the impact of ownership structure on dividend policy of firms.Cook and Jeon (2006) conducted their study in korea, Mancilleni and Ozkan (2006) also carried out their study on Italian firms, Mollah, Rafiq and Sharp (2007) equally conducted their study in Bangladesh, and Obema, El-Masry and Elsegini (2008) conducted their study using Egyptian listed companies. Nigeria as an emerging economy differs from those developed countries and inadequacy of data on this research area stimulates a gap in the literature which needs to be filled. This study employed the ownership framework to investigate the relationship between ownership structure and dividend policy. On one hand, it is important to take dividend decisions by financial managers, and on the other hand, it is important for corporate investors to understand the firm's dividend policy. These facts stimulated the researcher to investigate this relationship between corporate ownership structure and dividend policy of quoted Conglomerates in Nigeria.

This research work is however aimed at investigating if ownership structureactually affects dividend policy of quoted Conglomerates in Nigeria, and to what extent?

1.3 Objectives of the study

The main objective of the study is to examine the impact of ownership structure on dividend policy of quoted conglomerates in Nigeria. The specific objectives of the study are:

i. to determine the impact of managerial ownership on dividend policy of quoted conglomerates in Nigeria.

ii. to evaluate the impact of institutional ownership on dividend policy of quoted conglomerates in Nigeria and

iii. to examine the impact of ownership concentration on dividend policy of quoted conglomerates in Nigeria.

1.4 Research Hypotheses

The following null hypotheses are formulated for the study;

H_{01}: Managerial ownership has no significant impact on dividend policy of quoted conglomerates in Nigeria.

H_{02}: Institutional ownership has no significant impact on dividend policyof quoted conglomerates in Nigeria.

H_{03}: Ownership concentration has no significant impact on dividend policy of quoted conglomerates in Nigeria.

1.5 Scope of the Study

This research work examined the impact of ownership structure on dividend policy of quoted conglomerates in Nigeria. The research covers all the six (6) conglomerates that are listed on the Nigerian Stock Exchange. The study covers a period of ten years (2003 to 2012). Dividend Policy will be the dependent variable of the study while managerial ownership, institutional ownership and ownership concentration are the independent variables of the study. Firm size and Firm Leverage are used as control variables for the study.

1.6 Significance of the study

The results and outcome of this study should be of particular interest to several parties including regulatory authorities, shareholders, accounting educators and other stakeholders in general.This research work will therefore be relevant to the regulatory authorities like the Securities and Exchange Commission in the sense that it will help them evaluate the effectiveness of their monitoring instruments as well as review and upgrade them where necessary.

The results will provide empirical evidence that will help investors in monitoring and protecting their investments by checking the activities of the managers.The study will also be of great use to accounting educators as the outcome of the study will serve as motivation for further research.

Furthermore, it is hoped that the findings of this research will go a long way in assisting other stakeholders like government, employees and creditors to make informed decisions about policies, employments and ratings respectively.The findings of this study will also contribute to existing empirical studies on ownership structure and dividend policy in Nigeria

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter of the study takes care of the conceptual issues on the variables of the study and a review of the existing literature in the field of study. The main aim of this chapter is to establish a conceptual framework and relationship among the variables of the study as done by previous empirical studies and to subsequently fill the gaps which may be discovered in the course of the review.

Furthermore, a review of relevant theories that are linked to the variables of the study are covered here. A most relevant theory that best suits the relationship between the variables was selected at the end of the chapter.

2.2 Concept of Ownership Structure

Several authors have tried to explain what constitutes ownership structure. According to Jensen and Meckling (1976), ownership structure is the distribution of equity with regard to votes amongst shareholders, capital and also by the identity of the equity owners.These structures are of major importance in corporate governance because they determine the incentives of managers and thereby the economic efficiency of the corporations they manage. It can also represent the degree of concentration of ownership in firms, which means large shareholders proportion in a firm. Zhang (2005) defined Ownership structure as stockholders ownership proportion. In addition, Zhang (2005) further reiterated that there are three types of ownership structure. First, absolute concentration of ownership where there is only one stockholder who has the absolute power to control the firm and usually keep 50% ownership. Second, absolutely dispersed ownership, in which case there are numerous stockholders; and a complete separation of ownership and control where single

stockholder keeps share below 10%. Third, there co-exist relative concentration of ownership and some large shareholders in a firm. However, in a firm with a relative concentration of ownership and some large shareholders, ownership structure can almost decide the composition of the board. It is always assumed that only shareholders who hold large share may closely monitor the management of board. Dispersed shareholders have little or no incentive to monitor the management; they may have no power to decide the board. Then, some large shareholders control the exercise of the board and hire managers to act on their behalf. Such shareholders may use their voting power to improve their own position at the expense of other shareholders.

Mehrani (2011) posits that corporate ownership structure in a company is an influential factor for the company's policies, of which one of them is dividend policy. This means that there is a relationship between corporate ownership structure and dividend policy. According to Shahab-U-Din (2011), the decision of dividend and leverage policy will increase the company's value as long as the policy is appropriate with interests of many parties.

There is a growing level of interest in trying to explain differing corporate ownership structures in different countries. La Porta, Lopez-de-Silanes, Shleifer and Vishny, (1998) discovered that the quality of legal protection of shareholders helps determine ownership concentration. In countries with relatively poor legal protection of investors, publicly listed companies are likely to have large stockholders. In contrast, Roe (2000) explained corporate ownership differences in terms of politics. He asserted that those publicly listed companies in social democracies are more likely to have concentrated ownership than their counterparts in the non-socially democratic States.

Bebchuk (1999) developed a model which predicts that the proportion of a country's publicly listed firms having a controlling shareholder depends on the size of private benefits of control in the

corporate sector. He demonstrated that when private benefits of control are large, a blockholder is very unlikely to relinquish control. Therefore, in those countries where private benefits of control are comparatively large, large block holdings should be relatively prevalent in publicly listed companies. Bebchuk (1999) extended his model to explain differences in ownership structure among companies in the same country. The model indicates that a company is more likely to have a large blockholder when the private benefits of control potentially available to a blockholder at that company are comparatively large.

2.2.1 Managerial ownership

Che (2003) claim that managerial ownership may be divided into two; i) insider ownership and ii) outsider ownership. The insider ownership is defined as a percentage of share held by the insider board members including executive directors and non-independent non-executive directors while outside board ownership is defined as a percentage of share held only by independent non-executive directors. Managerial ownership is the share ownership by directors and the company's managers. The existence of asymmetric information between managers and shareholders will lead to a conflict that will increase agent costs though agency costs can be minimized by increasing managerial ownership. Hashim (2008) argued that managerial ownership could be defined as a percentage of shares owned by independent non-executive directors, executive directors and non – independent non-executive directors.

According to Yanming (2007), the positive relationship between managerial ownership and Company's value is the medium to effectively reduce agent costs. Hence, the positive relationship means the existence of managerial ownership can increase company's value. Jensen and Meckling (1976) argued that managerial ownership functions to harmonize managers and shareholders'

interests, so it is expected that there is a positive relationship between managerial ownership and company's value. The increase of managerial ownership can minimizeagency costsespecially it can reduce supervision costs. Al-Malkawi (2007) posits that a higher proportion of managerial ownership in company will reduce the need of using dividend as a device to reduce agent costs.

Several researches argued differently about a manager's role in ownership. The controlling power of managers may help in elimination of free cash flow problem and may better support the mutual interest of management and shareholders. Thus it results in high payout ratio keeping more shares with the managers (White, 1996; Fenn& Liang, 2001). Researchers have suggested dividend payment as an apparatus to control the management compass as the inside ownership provide direct opportunity to use internal funds on unprofitable projects.

2.2.2 Institutional Ownership

Institutional investors are large investors such as insurance firms, banks, pension funds, financial institutions, investment firms, and other nominee firms associated with the mentioned categories of institutions (Koh, 2003).Hashim (2008) also defined institutional ownership as the proportion of shares owned by the largest corporate investors to total number of shares issued. Institutional ownership is the share ownership by institutions which are large investors that have a greater control than the one owned by insurance companies, banks, mutual funds and other financial institutions.

According to Pound (1988), institutional investors can be more efficient monitors than other shareholders because of the nature of their expertise under the efficient monitoring hypothesis.

Pound (1988) further proposed that institutional investors may not monitor the managers either because they find it profitable to cooperate with managers, or because they must cooperate with managers in order to protect other business relationships.

Stouraitis and Wu (2004) argued that institutional investors play an effective role at monitoring management than the individual investors. This is due to their investment size and the resources at their disposal. Institutional investors usually have better incentive and capabilities to collect and evaluate information pertaining to their investments. They possess the wherewithal to discipline management and even bring about changes when management performs inadequately.

2.2.3 Ownership Concentration

Ownership concentration refers to the structure in which large shareholders own a large amount of company's shares.According to Zhang (2005), Ownership concentration is the degree of ownership, where shareholders have large proportion of shares in firms. It also means absolute concentration of ownership where only one stockholder has the absolute power to control the firm and usually keep 50% ownership. Therefore, ownership structure can be described as the proportion of stakeholders' ownership in the firm.

Recently, the major ownership or the concentrated ownership is gradually being replaced by concentrated institutional ownership such as banks and insurance companies because these institutions are the major shareholders. La Porta *et al*, (1998) states that effective controlling shareholders can influence company's dividend policy. As a result, they can implement policies which are beneficial to them rather than to minority shareholders. In his research, Ramli (2010) says

that companies with more concentrated ownership will pay higher dividends because the controlling shareholders have bigger influence towards the dividend policy.

Thomson (2004) argued that ownership concentration can either improve company's value because of incentive harmony or degrade it because of a takeover of minority investor shares. Dividend policy provides ways to differentiate the two effects: while blockholders may prefer low dividend when they get the benefit of company control, minority shareholders may prefer high dividend that is rewarding for all of shareholders. The role of blockholders in company is very critical. Theoretically speaking, blockholders can play an important role in eliminating agency problems between shareholders and managers.

According to Ullah (2012), concentrated ownership plays an important role in company policies, particularly about dividend payment policy. Shahab-U-Din (2011) said that decision making, such as dividend policy and leverage, will improve company's value as long as the policy can go well with every stakeholder. According to Kouki and Guizani (2009), a manager must be monitored and this monitoring must be done by large shareholders so as to reduce agency costs. These shareholders have incentive to bear the cost of monitoring due to the profit they get from investment.

2.3 Dividend and Dividend Policy

2.3.1 Dividend

The term dividend is derived from the latin word "dividendum" which means "thing to be divided". Hence, dividend is simply defined as the money that a company pays out to its shareholders from the profits it has made (Doughty, 2000). Davies and Pain (2002) also defined dividend as the amount

payable to shareholders from profits. Usually these payouts are made in cash, but sometimes companies will also distribute stock dividends whereby additional shares are distributed to shareholders. Dividend is a part of net profits distributed to stockholders in proportion to their ownership of company shares. According to Hussainey*et al*., (2010), dividend is distribution of profits to shareholders and to the business as re-investment.

Thomsen (2004) argued that there are influences of dividend on company's value. However, payout ratio is a signal that the company is very successful or that company managers are very committed to maximizing shareholder value, which can improve company's value. Asquith and Mullins (1983) explained that negative influence may result in wealth from other costs related to dividend payment. Other than administrative costs for dividend, companies may also have to pay for transactional costs related to new equity issuance. With investment policy given and capital structure, increases in dividend must be funded by new equity. On the other hand, positive influence on wealth has also been suggested by researchers. Investors traditionally would prefer dividend in cash. Positive influence on wealth may also be resulted from dividend policy that communicates valuable information to investors. Dividend can be a medium to communicate quality managerial information about their interpretation of newest company's performance and their evaluation of future performance.

Dividends are usually paid after the corporate tax has been deducted from the profits realized. Dividends are not always paid in cash. It is the prerogative of the firm to decide what form of dividend to declare to its investors. According to Pandy (2010), forms of dividend include cash dividends, stock dividends, stock splits and property dividends.

Cash dividends

Cash dividend is the most common form of dividends paid to shareholders. This entails cash payment to the shareholders as a return for their investment in the firm. Pandey (2010) highlighted that a firm that pays cash dividends should always have enough cash to cover the dividends. However, in some cases a firm can supplement cash dividend with bonus issues. In a situation where a firm has no adequate cash to cover the dividends, arrangement should be made to borrow funds. Pandey proposed that if a firm practices a stable dividend policy, it should always anticipate its cash requirement in relation to payment of dividends through the preparation of annual cash budget.

Hasting (1966) explained that cash dividends reduce both the total assets and networth of a firm. This will also lead to a reduction in the market price of the firm and this reduction is usually by the amount of cash distributed in form of dividends. Usually, majority of shareholders who depend on dividend income for their survival appreciate cash dividends. However, some shareholders have preference for capital gains as against cash dividends.

Stock dividends

A stock dividend is also called bonus issue. These are dividends recommended by the directors and approved and declared at the Annual General Meeting (AGM). However, they are paid through the issue of ordinary shares of the company as against been paid by cash. They essentially constitute a transfer to the shareholders' additional shares with no further cash coming from them. It represents nothing more than a recapitalization of the company while the shareholders proportional ownership remains unchanged (Van Horne, 1998). Pandey (2010) opined that the declaration of stock dividends

would increase paid up capital and as well reduce the reserves and surplus of the firm in the same proportion.

Stock splits

A stock split is a form of dividend which increases the number of shares outstanding through a proportional reduction in the par value of the shares. As a result, paid-up capital and retained earnings remain unchanged. Shareholders' equity remains the same hence, only the par value of shares that is reduced. This means that there is no form of transfer made to the shareholders (Pandey, 2010).

Van Horne opined that stock split is reserved for situations when the company wants to achieve a substantial reduction in the market price per share and is accompanied by an increase in cash dividends. Pandey (2010) further reiterated that stock splits make trading in shares more attractive, indicates higher future profits thereby leading to higher dividends.

Property dividends

Property dividends involve paying dividends to the shareholders in the form of transferring firm's assets to the shareholders as against paying cash. This is usually used when the firm is experiencing adequate earnings backed by inadequate cash.

Property dividends help to conserve cash but have a great signaling effect. The investors may perceive dividends as an indication of management's failure to generate adequate cash and as well in the aspect of debt collection. Furthermore, shareholders may find it difficult or inconvenient to dispose the properties transferred to them.

2.3.2 Dividend Policy

The study of dividend policy has captured the attention of finance scholars since the middle of the last century. They have attempted to solve several issues pertaining to dividends and formulate theories and models to explain corporate dividend behaviour. Although a number of theories have been put forward in the literature to explain their pervasive presence, dividends remains one of the thorniest puzzles in corporate finance (Welch, 2000).

Dividend policy refers to the practice that management follows in making dividend payout decisions or, in other words, the size and pattern of cash distributions over time to shareholders (Lease et al, 2000). It is a decision that considers the amount of profits to be retained by the company and that to be distributed to the shareholders of the company (Watson &Head, 2004). Dividend policy is an influential control vehicle to reduce the conflicting interests of the shareholders and managers because shareholders are interested in getting dividends, but managers prefer to retain earnings. Managers want to retain earnings for maintaining higher control over the resources. Corporate governance has received mammoth attention as it deals with the agency problems. Jensen (1986) and Rozeff (1982) argued that for firms to alleviate the agency problems they could use dividend payout policy. According to them, if dividends are not paid to the shareholders, the managers will start using these resources for their private benefits. Dividend policy helps the firms to know that they can control the agency costs. Jensen (1986) argued that by paying dividends to the shareholders, the managerial control over the resources would reduce.

Previous findings have used different factors in analyzing company dividends. Lintner (1956) states that one factor that influence dividend payment is company's income rate, in which high dividend

payout ratio occurs in companies with stable income while low dividend payout ratio occurs in emerging companies. Al-Malkawi (2007) used factors such as signaling, investment of opportunities, size, financial leverage, profitability and taxes to determine the relationship and found out that financial leverage of a company significantly has negative relation with dividend policy. Hussainey*et al*., (2010) tested dividend policy and stock price change in a research using factors such as price volatility, dividend yield, payout ratio, size/market value, earning volatility, long term debt and growth in assets. The result showed positive correlation between dividend yield and stock price change, as well as negative correlation between payout ratio and stock price changes.

2.3.3 Types of dividend policy

Constant policy: This policy is also referred to as fixed policy. Here, the company pays out a fixed amount of its profit after tax as dividend. Thus, the company maintains a fixed payout ratio of dividend. This policy usually gives the shareholders the opportunity of knowing clearly the amount of dividends to expect from their investments. However, Kolb and Rodriguez (1996) argued that the policy could be detrimental to companies experiencing volatile or fluctuating profits as a result of the uncertainty of the profits

Progressive policy: This type of policy has to do with increasing payment of dividends steadily usually with regard to inflation. This could result in increasing dividend in monetary terms. Progressive dividend policy is usually adopted in situations where the company may be constrained to cut down on dividend payout in order to ensure the continuity of its operations. Firms operating this policy will opt to avoid paying dividends during this period rather than consistently cutting down on dividends (Kolb &Rodriguez, 1996).

Residual policy: Under this policy, dividends are viewed as the residue left after the company has determined the retained profits required for the future investment. Firms which adopt this policy give preference to projects with positive NPV (Net Present Value) and paying out dividends if there are still left over funds available. Dividend becomes a circumstantial payment paid only when the projects have been executed. Firms may need to modify this policy to ensure that investors of different clienteles are not chased out by a strict application of the policy (Kolb &Rodriguez, 1996).

Zero dividend policy: This policy involves nil payment of dividends. This is common with newly incorporated companies who require much capital to execute their major projects. The profit is thus retained in the business for expansion purposes. Investors who prefer capital gains to dividends will naturally be lured by this kind of policy. From the view point of the company, this policy is quite easy to operate as it avoids all the costs associated with payment of dividends (Kolb &Rodriguez, 1996).

2.4 Review of Empirical Studies

2.4.1 Managerial ownership and dividend policy

An important body of literature exists on how ownership structure influences dividend policies. Especially the linkbetween managerial ownership and dividend policy has been well documented (Wiberg, 2008). Most of these studies have argued that dividend payout is generally viewed as a control device which helps reduce managerial discretion, and as such, it is part of the firm's optimal monitoring. That is, the agency control function of dividend payout is linked to the severity of the manager-shareholder conflict.

Rozeff (1982) in his research on growth, beta and agency costs as determinants of dividend payout ratios suggests a negative relationship between managerial ownership and dividends. This means companies with more managerial participation tend to pay lower dividends. This shows that insider ownership provides direct incentives of alignment between managers and shareholders while dividends serve as a mechanism that reduces the manager's propensity to make unprofitable investments out of internally generated funds.

Jensen (1986) free cash flow theory suggests that managers are reluctant to pay out dividends, preferring instead to retain resources under their control. Their evidence shows that dividends decreases with an increase in the voting powers of owner-managers, and is almost zero when owner-managers have absolute control.The extent of the role played by managerial ownership in relation to proportion of shares held by management may affect control over the firm's decision, Jensen and Meckling (1976) theorize that as managerial ownership increases, when there interest was closely aligned with the owners (principal), the need for intense monitoring will reduce. Also in the public equity firms, to reduce the managers' (agent) incentives in expropriating the shareholders wealth, managerial equity ownership serves to align interests of managers with those of shareholders and thus increases firm value. The managers and directors of the company may face takeover threat from the shareholders, if managerial equity ownership increases; it would result to entrenching effect of managers. These reduce takeover threats that the managers face whenever their performance or that of the directors are below expectation (Stulz 1988).

Jensen, Solberg and Zorn (1992) examined the determinants of cross-sectional differences in insider ownership and dividend policies in the U.S. They analyzed firm data at two points in time, 1982 and 1987 on 565 and 632 firms respectively. These policies are found related directly and indirectly

through their relationship with operating characteristics of firms. Their empirical results support the hypothesis that levels of insider ownership differ systematically across firms. The results of the analysis support the proposition that financial decisions and insider ownership are interdependent. Specifically, insider ownership has a negative influence on firm's dividend levels. Therefore, this observation supports Rozeff's proposition that the benefits of dividends in reducing agency costs are smaller for firms with higher insider ownership.

Eckbo and Verma (1994) empirically showed that dividend payout decreases with the increasing power of managerial share ownership and also argued that in the managers-controlled firms where they have absolute voting power, the cash dividend is zero. They conjectured that observed dividends resolves shareholder conflicts by a consensus across heterogenous shareholder groups. This consensus-dividend hypothesis was tested using firms in Canada where the managers own majority of the shares. The empirical evidence indicates that cash dividends decrease as the voting power of owner-managers increases, and are almost zero when owner-managers have absolute voting control of the firm. This result may be due to the fact that Canadian firms encourage more of managerial ownership compared to other forms of ownership, which adversely affects other stakeholders to a great extent.

In the works of Agrawal and Jarayaman (1994) who used the sample of all-equity and levered firms which consists of 71 matched pairs. All equity firms are defined as those who use short term debt throughout a continuous five year period. Their results indicate that dividend yields and dividend payout ratios of all-equity firms are significantly higher than those of levered firms. They also discovered that within the group of all-equity firms, firms with higher managerial ownership have lower dividend payout ratios because they are substitute mechanisms for controlling the agency

costs for free cash flow. However, this result may be contested because they only made use of only all-equity firms whose assets are financed by short term debts only. The results may be different when all-equity firms whose assets are financed by both short and long term debts are taken into consideration.

Hansen et.al (1994) tests the relevance of monitoring theory for explaining the dividend policies of regulated electrical utilities. They focused on this industry partly because relative to industrial firms, utilities are more insulated from the discipline of other monitoring mechanisms for controlling agency costs. Their findings revealed that utilities faced with higher regulatory and managerial conflicts pay proportionally greater dividends. Their findings are consistent with the monitoring hypothesis that these utility firms use dividend induced equity financing to control agency costs that arise out of the shareholder-regulator and shareholder-manager conflicts.

Mohammed, Perry and Rimbey (1995) also employed panel data on three hundred and forty one US firms over 18 years from 1972 to 1989 using weighted least squares regression to examine the effect of managerial ownership on dividends. They discovered that there is a negative relationship between managerial ownership and dividend payout. The result of their findings revealed that higher dividend payouts are observed when managers own a lower percentage of shares and the outside ownership becomes more dispersed. This is also in line with the work of Jensen, Solberg and Zorn (1992) who specifically found that high insider ownership has a negative influence on firm's dividend levels.

Ang, Cole and Lin (2000) measure absolute agency costs by observing a zero agency-cost base case as a reference point of comparison for all other cases of ownership and management structures. Based on the Jensen and Meckling agency theory, the zero agency

cost base is the firm owned solely by a single owner-manager. When management owns less than 100 percent of the firm's equity, shareholders incur agency costs resulting from management's shirking and perquisite consumption. They employ a sample of 1708 small corporations and provide a direct confirmation of the predictions made by Jensen and Meckling (1976). Agency costs are indeed higher among firms that are not 100 percent owned by their managers, and these costs increase as the equity share of the owner-manager declines. Hence, agency costs increase with a reduction in managerial ownership, as predicted by Jensen and Meckling.

Short, Zang and Keasey (2002) in their study on the potential relationship between ownership structures and dividend policy made use of well-established dividend payout models. They modified the full adjustment model, the partial adjustment model (Lintner, 1956), and the Waud Model (Waud, 1966) and the earnings Trend Model which was on a sample of 211 firms listed on the London stock exchange for the period 1988 to 1992. Their results consistently produced strong support for the hypothesis that a negative association exists between dividend payout policy and managerial ownership. This is because managers prefer to retain earnings in the firms rather than pay dividends to the shareholders and as such, the managers could use these earnings for their own private benefits.

Harjito (2009) also examined the impact of agency factors on dividend payout ratio of listed firms in Japan. The results revealed a significant negative effect of insider ownership on dividend policy which implies that dividend payment rises in order to decrease agency problem when there is separation of functions between corporate ownership and corporate control. The results support the argument that managerial ownership helps to resolve the agency conflicts between external

shareholders and mangers but at the expense of exacerbating the agency conflicts between stockholders and bondholders. On the other hand, institutional ownership was discovered to have a negative impact on dividend payout and this may be due to the fact that institutional investors tend to do other investments or expand their business in order to pay shareholders.

2.4.2 Institutional Ownership and dividend policy

Hashim (2008) also defined institutional ownership as the proportion of shares owned by the largest corporate investors to total number of shares issued. Institutional investors are large investors such as insurance firms, banks, pension funds, financial institutions, investment firms, and other nominee firms associated with the mentioned categories of institutions (Koh, 2003). The presence of institutional investors may lead firms to change their behavior. They have the influence on investee corporations and can affect their policies because of their substantial shareholdings.

Zeckhauser and pound (1990) suggest thearm's length view of investment held by many institutional investors, coupled with the incentives to free ride with respect to monitoring activities, implies that institutional shareholders are unlikely to provide direct monitoring themselves. The institutions, rather than providingmonitoring themselves, force firms to increase their dividends in the sense that they are subsequently forced to go to the external capital market for future funds.

Alli et.al (1993) re-examine the dividend policy issues by conducting a simultaneous test of the alternative explanations of corporate payout policy using a two-step procedure that involves factor analysis and multiple regression. The sample of 150 firms came from 34 industries, with the largest share from the chemical and allied products industry (13.9

percent). The average firm size and capitalization of the final sample was representative of New York Stock Exchange (NYSE) listed firms. The results reveal that six significant factors can be used to explain corporate payout policies which include agency cost factor. Although the results shows that ownership dispersion does not affect dividend but the significant positive coefficient of institutional and insider ownership indicates that dividends are used to mitigate agency problem. Although this result is consistent with the findings of Rozeff (1982), it may still be debated further because several other factors such as firm size, age and leverage of the firm which affects dividend policy were not taken into consideration. Furthermore, the Chemical and Allied products sector is only a segment of the economy, hence the results may not be applicable in other sectors of the economy.

Eckbo and Verma(1994) argue that institutional shareholders will prefer free cash flow to be distributed in the form of dividends in order to reduce the agency costs of free cash flow. From this perspective, it may be argued that institutional shareholders may counter a tendency for managers to prefer the excessive retention of cash flow and, by virtue of their voting power, force managers to pay out dividends. This will be favourable to institutional shareholders and other shareholders of the firm.

Han, Lee and Suk (1999) in their study empirically examined the effect of institutional investors on corporate dividend policy. They utilized a sample of 303 firms during the 1988 to 1992 period. They had controlled seven factors to influence dividend policy namely insider growth, capital expenditures, ratio of debts to assets, operating income to assets and target dividend yield. Using the Tobit analysis, they discovered that dividend payout is positively related to institutional ownership because institutions prefer dividends over capital gains under the differential tax

treatment. Moreover, institutional investors can be more efficient monitors than other shareholders because of the nature of their expertise under the efficient monitoring hypothesis.

D'Sauza and Saxene (1999) also examined the effects of institutional investors on an international firm's dividend policy. A sample of 349 firms was used to determine the relationship between dividend payout and institutional ownership. The dividend policy of a firm was defined as its dividend payout ratio (the ratio of dividend per share and earnings per share) while the percentage of institutional holdings of a firm's common stock was used as a proxy for institutional ownership. Multiple regression analysis was performed and the results revealed a statistically significant and negative relationship between dividend and the explanatory variable institutional shareholdings.This is due to the fact that institutional shareholders due to their investment size and the resources at their disposal usually have better incentive and capabilities to collect and evaluate information pertaining to their investments.

Manos (2002) also studied dividend policy of India which is an emerging economy. He estimated a model using foreign ownership, institutional ownership and ownership dispersion and tested it on a cross section of 661 non-financial companies listed on the Bombay Stock Exchange. The results revealed a positive relationship between institutional ownership and the payout ratio of the firms studied. This is consistent with the preference for dividends related prediction. However, this result may be contested because it failed to consider the other financial firms listed on the Bombay Stock Exchange.

Short, Zang and Keasey (2002) in their study on the potential relationship between ownership structures and dividend policy made use of well-established dividend payout models. They modified the full adjustment model, the partial adjustment model (Lintner, 1956), and the Waud Model

(Waud, 1966) and the earnings Trend Model which was on a sample of 211 firms listed on the London stock exchange for the period 1988 to 1992. Their results consistently produced strong support for the hypothesis that a positive association exists between dividend payout policy and institutional ownership.

Cook and Jeon (2006) investigate the determinants of foreign and domestic ownership and a firm's payout policy. Their empirical study based on a sample of 507 firms out of the 683 firms listed on Korea Stock Exchange for the period 1999 to 2004. The results support the agency model, higher foreign ownership is associated with a greater dividend payout. Institutional investors, however, do not play a prominent role in a firm's payout policy. Therefore, that foreign investors are more active monitors of corporate by reducing agency problems and leading firms to increase the level of payouts.

In a similar study conducted by Obema, El-Masry and Elsegini (2008) to examine the effect of ownership structure on corporate dividend policies of a sample of top Egyptian listed companies. Ownership structure was measured by using four variables namely managerial ownership ratio, blockholder ownership ratio, institutional ownership ratio and free float ratio. The results shows that only institutional ownership has a significant relationship with dividend policy and this could be as a result of the fact that institutional blockholders voted for higher payout ratios to enhance managerial monitoring by external capital markets.

Kouki and Guizani (2009) also analysed the influence of shareholder ownership identity on dividend policy of Tunisian firms from 1995 to 2001. The study used dividend per share as a dependent

variable and various ownership classes as independent variables. The results indicate that there is a significantly negative correlation between institutional ownership with the level of dividend distributed to shareholders. This is due to the fact that institutional investors are banks which are either shareholders or debt holders and they prefer to pay interests rather than distribute dividends to shareholders. Furthermore, they posit that the higher ownership of the five largest shareholders leads to higher dividend payment.

2.4.3 Ownership concentration and dividend policy

Grossman and Hart (1980) argued that there is a positive relationship between ownership concentration and dividends, leaning on the preference for the allotment of these large shareholders which are usually companies. Furthermore as concluded by Faccio, Lang and Young (2001) in their study on ownership concentration and dividend policy of European firms, the presence of multiple owners might alleviate expropriation of minority shareholders by the controlling shareholder. However, they found that the presence of multiple large shareholders helps to limit the expropriation of minority shareholders by the controlling shareholders. This therefore implies a negative relationship between ownership concentration and dividend payouts. The controlling shareholders can effectively influence the decisions of the firm as they can implement policies which will be beneficial for them at the cost of minority shareholders.

According to Shleifer andVishny (1997), large shareholders have a dual impact on firms. On one hand is their incentive to monitor the manager's activities and on the other hand is to extract rents and enjoy private benefits of control. In line with this argument, the literature offers two competing views about the relationship between ownership concentration and dividend policy of firms. Firstly, the expropriation hypothesis predicts that the high level of ownership concentration increases the

propensity for expropriation of minority shareholders by large shareholders and that controlling shareholders with substantial power adopt a policy that retains a larger amount of earnings they can expropriate, thereby resulting in low payout. Secondly, the substitution hypothesis is based on the assumption that firms need to raise external funds, and in order to sustain outside equity in the firm, the controlling shareholders usually establish a reputation for not expropriating wealth from minority shareholders by paying out more dividends.

Harada and Nguyen (2006) examined the impact of ownership concentration on the dividend policy of Japanese firms from 1995 to 2002. In line with the findings of Khan (2006), they found out that firms with high ownership concentration pay lower dividends. Tightly controlled firms are less likely to increase dividends when profitability increases and when operating profits are negative. This pattern is consistent with their lower payout and the assumption that the dominant shareholder extracts private benefits from resources under their control. They also found that tightly controlled firms are more likely to omit dividends when investment opportunities improve which protect the interest of current shareholders.

A related study was also conducted by Maury and Pajuste (2002) to determine the relationship between controlling shareholders and dividend policy of listed firms in Finland. From their findings, it could be deduced that dividend payout ratio is negatively related to the control stake of the controlling shareholder. However, their results support the mitigating role of another shareholder since the cumulative ownership of the three largest shareholders has a negative impact on dividend payout. It can be deduced that the existence of strong block-holders or the concentration of large shareholders weakens the bond between the firm's earnings and the dividend payout ratio.

Additionally, Klein (2002) examined the effectiveness of characteristics of the board and the composition of the audit committee, while controlling the effects of ownership concentration. To measure the effect of block-holders on dividend policy, she looked at firms whose audit committees included representatives of block-holders with more than 5% of the equity. She found a negative relationship between 5% block-holders sitting on audit committees and dividend policy.

Gugler and Yurtoglu (2003) analysed dividend payout of German firms with a special focus on the large-small shareholder conflict. Their results show that the markets react more negatively when large uncontrolled shareholders reduce the dividends they are willing to pay out to minority shareholders. They concluded that dividend payout levels decrease in the power of the largest shareholder but increase in the power of the second largest shareholder.

Khan (2006) investigates how ownership structure of firms affects their dividend policies. A total number of 281 firms were studied between 1985 and 1997 and the results show a significant negative relationship between dividends and ownership concentration. This means that dividend falls when the degree of ownership of ownership concentration increases which is generally associated with better incentives to monitor.

Mancinelli and Ozkan (2006) examined the relationship between ownership concentration and dividend policy of 139 listed Italian firms. The results of their analysis showed that firms make lower dividend payout when the voting rights of the largest shareholder increases and it was further argued that the presence of agreements among the large shareholders might explain the limited monitoring power of other strong non-controlling shareholders.

Mat, Nor and Sulong (2007) also empirically examined the relationship between various forms of ownership structure and dividends in Malaysia. 406 firms were studied using a multiple regression analysis for the period 2002 to 2005. Their results revealed that ownership concentration has a significant positive impact on dividends though with minimum impact. However, managerial ownership was seen to be significantly positively related to dividends which imply that insider shareholdings provide greater incentives for the alignment of management and shareholders interest resulting in higher dividends. The results also suggest that managerial ownership does not play an active role in Malaysia.

Zhong et al. (2007) considered two competing views when studying the relationship ownership concentration and dividend policy. First, consistent with the agency theory perspective, small block-holders can sell their stocks quickly if they are not pleased with the performance of managers, whereas large block-holders found it hard to sell a large block of stock without it having considerable impact on the firm, including lowering its stock price. Thus, large block-holders normally adopt a long-term strategy and thus they need to monitor managers to produce more benefits for their equity ownership. Block-holders have the ability to monitor and voice their concerns and objections as a result of their large voting rights. This, in turn, provides some monitoring over managers, which enables the block-holder to also affect the board of director's composition (Person, 2006). Secondly, unlike small shareholders, large block-holders can put pressure on managers to report a favorable financial performance and create another threat of intervention to perceived underperforming management. Consequently, the existence of large block-holders may press firm's managers to engage in income-increasing dividend policy to report a favorable financial performance.

A similar study was conducted by Ramli (2010) to investigate the impact of large shareholders on the dividend policy of Malaysian firms from 2002 to 2006. Since the ownership structure in Malaysia is usually concentrated, the relevant agency conflicts to analyse are usually that which arises from the relationship between large shareholders and minority shareholders. His results reveal that companies make higher dividend payout as the shareholding of the largest shareholder increases and the magnitude of the dividend payout is also larger when there is a presence of the substantial second largest shareholder.

2.5 Theoretical framework

Several theories explain the relationship between ownership structure and dividend in the accounting literature. There are basically four theories that are related to this study namely stakeholders theory, signaling theory, free cash flow theory and agency theory.

2.5.1 Stakeholders Theory

The Stakeholders theory opined that companies have the responsibility of being accountable for their stewardship to the numerous stakeholders which include shareholders, debenture holders, pressure group, regulatory authorities, government agencies, general public etc. over the resources entrusted on them. Therefore, the stakeholders' theory is more concerned about resolving problems that may occur betweenthe stakeholders and managers (Jessen and Meckling, 1976 and Chang, 1999). This theory is therefore related to this work in the sense that companies are being accountable (by paying dividends) to the various stakeholders which include managerial shareholders, institutional shareholders and concentrated ownership.

2.5.2 Signalling Theory

Signaling theory refers to the idea that the agents send information to the principal in order to create credible relationship. Managers have more firsthand information about the firm than firm's investors do but they are always reluctant to provide transparent information to the shareholders. So, the dividend policy can be used for information purpose and it also act as a signal for the firm's future projection proficiently. Miller and Rock (1985) and Li and Zhao (2008) argued that dividend policy plays a leading role because it can be used to convey information to the shareholders about the firm's value. Along with dividend, institutional shareholders can also be viewed as more powerful signaling because they are more influential in monitoring the firm performance readily.

Within the framework of problems of asymmetry of information existing in the heart of the company, the theory of signal describes dividend policy as a signaling mechanism through which internal shareholders within management reveal their incentives and private information to external shareholders. This information can modify the value of shares if the announcement of dividends containsrelevant information concerning the company's expectation which has not already been discounted by the market. External shareholders reflect in the price of shares the value they attribute to the new information available and express through these variations their degree of conformity with the company's financial policy and the behavior of management. In an efficient capital market, a variation in the payout ratio is generally followed by changes in the prices of shares. This situation deserves a reflection of the information content of dividends. This theory is related to this work in the sense thatdividend policy can be used for information purposes and could also act as a signal for the firm's future projections.

2.5.3 The free cash flow theory

The starting point for this theory which proposes an argument based on agency costs that relate dividends paid by the company to its investment opportunity, is that managers cannot be controlled perfectly so that they can seek to satisfy their own interests instead of the interest of shareholders. Managers, once they have satisfied all the obligation contracted by the company with fund generated by the operations, can use the remaining flows form the treasury for their own benefit (Jensen, 1986).

The use of dividend policy to reduce free cash flow is necessitated by the existence of alternatives for the control of manager's behavior. Companies with large investment opportunities have less resources to pay dividends since cash flow which remains free are necessary for financing future investment projects. In countries whose financial system is oriented to the market, the control of managerial behavior is done through the capital market. While in those countries where the financial system is oriented towards a bank model, the bank debt contracted by the company serves as an alternative mechanism to dividend policy to reduce the conflict of interest between shareholders and managers.

2.5.4 Agency Theory

Jensen and Meckling (1976) argued that agency relationship takes place when the principals engage the agents to perform some of their duties on their behalf. Agency cost arises because of conflicting interests of the managers and owners. Short et al. (2002) argued that dividend policy performs a crucial role in reducing agency costs which have arisen from the

conflicting interests of both the parties. According to Rozeff (1982), dividend payment is a device to reduce agency cost. Jensen (1986) suggested that dividend payment could create conflicts among the managers and shareholders because managers are more willing to retain resources instead of paying dividends. Managers are interested in following the growth strategies for their firms because the growth of a firm will give them more power to control these resources.

On the other hand, shareholders prefer dividends to retained earnings. If profits are not paid to the shareholders in form of dividend, the managers might change their intentions towards the benefits of the management or they can engage the resources into unprofitable projects. Consequently, the interest conflict arises among them, which can be solved through dividend payout policy. Therefore, Rozeff (1982) called dividend payment a device used to reduce agency costs. Many studies have argued on a point that institutional investors positively impact the agency problems by reducing agency costs and by influencing dividend policies. Carvalhal-da-Silva and Leal (2004) argued that agency problem between the managers and the shareholders can take place due to the fact that managers may not be maximizing the shareholder's value.

This study adopts agency theory due to its relevance in resolving conflict that may arise between managers (agent) and shareholders (principal) of the companies, its empirical evidence in the studies conducted by several scholars on Ownership structure and dividend policy of capital market in Nigeria and patterns of Nigeria's companies captures the key postulations of agency theory which serves as basis for the adoption.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the methods and techniques adopted to achieve the research objectives. The chapter begins with the discussion of the research design, and then population and sample of the study. It also presents and discusses the sources and methods of data collection for the study and the technique of data analysis. It presents the definition and measurements of the variables and models of the study and the justification of the methods and techniques adopted.

3.2 Research Design

This study adopts correlation research design to evaluate the impact of ownership structure on dividend policy of quoted conglomerates in Nigeria. The choice of correlational research design in this study is informed by the fact that the aim of the design is to investigate the relationships between variables and to estimate the impact of one variable (independent variable) on another (dependent variable), so as to establish a causal relationship or otherwise among the variables. This is therefore consistent with the objectives of the study.

3.3 Population and Sample of the Study

The population of the study comprises of all the six (6) conglomerate firms listed on the floor of Nigerian Stock Exchange (NSE) Market as at the end of 2012 accounting period, and are operating throughout the period of the study (2003-2012). This population covers A.G. Leventis, UACN, SCOA, Chellerams, TRANSCORP and John Holt Plc. This population is chosen because of the market share of the firms and higher level of operations as well as profitability position of the firms, which could provide suitable settings for the study of dividend policy. However, TRANSCORPwas dropped from the list because the firm was quoted in 2006, and the data for all the period of the study is not available, thus the sample size of the study is five (5) firms.

3.4 Sources and Method of Data Collection

The study uses secondary data obtained from the financial statements of all the sampled firms in the study and the Nigerian Stock Exchange (NSE) factbook for the period covered by the study (2003 – 2012). The choice of secondary data in this study is informed by the fact that the study is based on the quantitative research methodology that requires quantitative data to test research hypotheses. Data relevant to the variables of the study were extracted from the financial statements of individual firms and NSE factbook.

3.5 Technique of Data Analysis

This study adoptspanel regression technique of data analysis. Regression technique is chosen in this study because of the effectiveness and efficiency of the technique in providing the statistical estimate of the relationship of one variable with another. Hence, this is consistent with the objective of this study, assessing the impact of ownership structure on the dividend policy of listed conglomerates in Nigeria. Moreover, following the panel nature of the data (cross-sectional and time

series) for the study, the study employs different regression models, which include Ordinary Least Squares (OLS) model, Fixed Effect (FE) model and Random Effect (RE) Model.

Selection tests such asHausman Specification Test and Breusch and Pagan Lagrangian Multiplier Test for Random Effects arealso used to select the most suitable model for the study. The study on the other hand conducts robustness tests to ensure the validity and fitness of the results. This include test for descriptive statistics, correlation analysis, Heteroskedasticity andMulticollinearity, to ensure that the results produce estimators that are best linear unbiased estimators. The analysis will be conducted using STATA 11.0 version.Heteroskedasticity test is conducted in this study to ascertain whether the error among the population is constant or not. If they are present, they are said to be Hetroskedastic and if absent, Homoskedasticity is present as it is in agreement with assumption number 4 of classical regression model. Multicollineraity test is conducted using VIF and TV to determine if the independent variables are highly correlated between or among themselves. Assumption number 6 of classical regression model stipulated that there should not be multicollinearity among the variables. To ensure that this assumption is fully met, the study therefore carried out the tests in order to improve the validity of the result.

3.6 Variable Specification and Measurement

The variables of interest of the study are the ownership structure variables (managerial ownership, institutional ownership and ownership concentration) and Dividend policy variables (dividend yield and dividend pay-out ratio). The study employed two control variables (firm size and firm leverage). The measurements of the variables are presented in Table 3.1

Table 3.1: Variables Measurement

Variables	Measurements
Dividend Pay-out Ratio	This is measured in line with Gugler (2003), and Reddy and Path (2005) by dividing cash dividend by accounting earnings (earnings after tax)
Dividend Yield	This is measured by dividing cash dividend by the market price per share.Agrawal and Jarayaman (1994)
Institutional Ownership	This is measured in line with Kouki and Guizani (2009)proportion of shares held by institutional investors to the total number of shares issued.
Managerial Ownership	This is measured in line with Jensen et al., (1992) as the proportion of shares held by managers and executive directors divided by the total number of shares issued.
Ownership Concentration	This is measured in line with Thomsen and Pedersen (2000) as the number of shares held by the largest shareholders divided by the total ordinary shares issued.
Firm Size	This is measured as natural logarithm of total assets (Chaing, 2005).
Firm Leverage	This is measured in line with Mayers and Frank (2005) and Ayub (2005) as the ratio of total debts (long term and short term debts) to total assets

3.6 Models Specification

The models of the study are mathematically expressed as follows;

$$DPOR_{it}=\alpha + \beta_1 MGOS_{it} + \beta_2 INOS_{it} + \beta_3 OWCO_{it} + \beta_4 SIZEit + \beta_5 LEV_{it} + \pounds_{it} \ldots\ldots\ldots\ldots\ldots\ldots i$$

$$DIVYLD_{it}=\alpha+\beta_1 MGOS_{it}+\beta_2 INOS_{it}+\beta_3 OWCO_{it}+ \beta_4 SIZE_{it}+\beta_5 LEV_{it}+ \pounds_{it}\ldots\ldots\ldots\ldots\ldots\ldots ii$$

α = the intercept

β_1-β_5= the various slope coefficients

$DIVYLD_{it}$ = Dividend yield of firm I in year t

$DPOR_{it}$ = Dividend payout ratio of firm I in year t

$MGOS_{it}$= Managerial ownership of firm I in year t

$INOS_{it}$= Institutional ownership of firm I in year t

$OWCO_{it}$ = Ownership concentration of firm I in year t

$SIZE_{it}$= Control variable, size of firm I in year t

LEV_{it}= Control variable, leverage of firm I in year t

α_{it}= error term

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The presentation and analysis of data as well as discussion and interpretations of results obtained are covered in this chapter. The chapter begins with the discussions and analysis of the descriptive statistics of the data collected, and then the correlation matrix of the variables of the study. The presentation and analysis of the regression results and the test of hypotheses are then conducted. The chapter ends with the discussion of the major findings from the analysis and the policy implications of the findings.

4.2 Descriptive Statistics

The description of the variables of the study is presented and discussed in this section. The summary of the descriptive statistics of the data collected is presented in Table 4.1 as follows;

Table 4.1: Descriptive Statistics of the variables

VARIABLES	**Min**	**Max**	**Mean**	**SD**	**Skewness**	**Kurtosis**	**N**
DPOR	0.2829	0.8588	0.2917	0.2512	0.1209	2.5696	50
DVYLD	0.0000	0.8847	0.2003	0.2232	1.4169	4.5414	50
MGOS	0.0008	0.1501	0.0276	0.0415	2.0428	5.7199	50
INOS	0.0669	0.8224	0.3198	0.2198	0.4665	2.2106	50
OWCO	0.0465	0.7531	0.3791	0.2714	0.0908	1.3004	50
SIZE	21.7558	24.0432	22.6333	0.5713	0.4022	2.2018	50
LEV	0.0000	0.5810	0.2640	0.2058	0.1891	1.5261	50

Source: STATA Output (Appendix A1)

Table 4.1 presents the descriptive statistics of the data collected for the research variables. The table indicates that one of the measures of dividend policy of quoted conglomerates in Nigeria, dividend pay-out ratio (DPOR) has an average value of 0.2917 with standard deviation of 0.2512, and minimum value of 0.2829 and 0.8588 as the maximum value. The mean value indicates that the sampled conglomerates have an average dividend pay-out ratio of 29.17% (70.83% retention policy), and the standard deviation of 0.2512 implies that the deviation from the mean value, from both sides is 25.12%, implying that the data is widely dispersed from the mean because the standard deviation is high compared to the mean value. The minimum and maximum DPOR of the sample quoted conglomerates during the period covered by the study are 28.29% and 85.88% respectively. The results from table 4.1 show a coefficient of skewness of 0.1209, implying that the data is

positively skewed and hence meets the data symmetric assumption of normality. The table also shows a coefficient of kurtosis of 2.5696, suggesting that the data meets normal distribution assumption.

Table 4.1 also shows that the other measure of dividend policy of quoted conglomerates in Nigeria, dividend yield (DIVYLD) has an average value of 0.2003 with standard deviation of 0.2232, and minimum value of 0 and 0.8847 as the maximum value. The mean value indicate that the sampled conglomerates during the period of the study have an average dividend yield of 20.03%, and the standard deviation of 0.2232 implies that the deviation from the mean value, from both sides is 22.32%, implying that there is a wide dispersion of the data from the mean because the standard deviation is higher than the mean value. The minimum and maximum DIVYLD of the sample quoted conglomerate during the period covered by the study are 0% and 88.47% respectively. The table also indicates a coefficient of skewness of 1.4169, implying that the data is positively skewed and hencemeets the symmetric assumption of normal data. Moreover, the table shows a coefficient of kurtosis of 4.5414, also signifying that the data meets normal distribution assumption.

The results from the table also indicate that the average managerial ownership (MGOS) of the sampled quoted conglomerates is 2.76%, from the mean value of 0.0276 with standard deviation of 0.0415, and minimum value of 0.0008 and 0.0222 as the maximum value. This suggests that the data deviate from the mean by 4.15%, while the minimum and maximum managerial ownership during the period covered by the study are 0.08% and 2.22% respectively. Moreover, the results indicate a coefficient of skewness of 2.0428, implying that the data is positively skewed and hence meets the symmetric assumption of normal distribution. On the other hand, the table shows a coefficient of kurtosis of 5.7199, also signifying that the data meets normal distribution assumption.

Similarly, the descriptive statistics results show that the average institutional ownership (INOS) in the sample quoted conglomerates in Nigeria during the period of the study is 0.3198 with standard deviation of 0.2198, and minimum value of 0.0669 and 0.8224 as the maximum value. This suggests that the average equity ownership by corporate institutions of quoted conglomerates in Nigeria during the period of the study is 31.98% and the deviation from the mean is 21.98%, implying a wide dispersion from the mean. The minimum and maximum institutional ownership are 6.69% and 82.24% respectively. The table further indicates a coefficient of skewness of 0.4665, implying that the data is positively skewed and hence meets the symmetric assumption of normality. On the other hand, the table shows a coefficient of kurtosis of 2.2106, also signifying that the data meets normal distribution assumption.

The results from the table also indicate that the average ownership concentration (OWCO) in the quoted conglomerates in Nigeria is 0.3791 with standard deviation of 0.2714, and minimum value of 0.0465 and 0.7531 as the maximum value. This implies that the average concentration of equity ownership by individuals in the quoted conglomerates in Nigeria during the period of the study is 37.91% and the deviation from the mean 27.14%, while the minimum and maximum ownership concentration are 4.65% and 75.31% respectively. Moreover, the results indicate a coefficient of skewness of 0.0908, implying that the data is positively skewed and hence meets the symmetric assumption, the coefficient of kurtosis is 1.3004 signifying that the data meets normal distribution assumption.

Lastly, the results from the table indicate that the average firms size (SIZE), natural log of total assets of the quoted conglomerates in Nigeria during the period of the study is 22.6333 with standard

deviation of 0.5713, and minimum value of 21.7558 and 24.0432 as the maximum value. The coefficient of skewness of firm size is 0.4022, implying that the data is positively skewed and hence meets the symmetric assumption, the coefficient of kurtosis on the other hand is 2.2018 signifying that the data meets normal distribution assumption. The table also indicates that the average leverage (LEV) of the quoted conglomerates in Nigeria during the period of the study is 0.26404 with standard deviation of 0.2058, and minimum value of 0.0000 and 0.5810 as the maximum value. The coefficient of skewness of firm leverage is 0.1891, implying that the data is positively skewed and hence meets the symmetric assumption, the coefficient of kurtosis on the other hand is 1.5261 signifying that the data meets normal distribution assumption.

The analysis of the descriptive statistics of the data collected for the study suggested that the data follows the normal distribution which is one of the fundamental requirements for the use of parametric tools of analysis. Therefore, the inferential statistics of the data collected from which the hypotheses of the study are tested are presented and interpreted in the next sections.

4.3 Correlation Results

The study used Pearson correlation Coefficients to examine the degree of association between ownership structure and the dividend policy of the quoted conglomerates in Nigeria. The results are presented in Table 4.2 as follows;

Table 4.2 Correlation Matrix of Dependent and Independent Variables

Variables	DPOR	DIVYLD	MGOS	INOS	OWCO	SIZE	LEV
DPOR	1.0000						
DIVYLD	0.5557	1.0000					

	(0.0000)						
MGOS	0.6753	0.2177	1.0000				
	(0.0000)	(0.1289)					
INOS	0.8301	0.3914	0.9092	1.0000			
	(0.0000)	(0.0049)	(0.0000)				
OWCO	0.6195	0.3741	0.5533	0.5784	1.0000		
	(0.0000)	(0.0074)	(0.0000)	(0.0000)			
SIZE	-0.0703	0.0937	0.0408	-0.0553	-0.0712	1.0000	
	(0.6277)	(0.5176)	(0.7787)	(0.7031)	(0.6231)		
LEV	0.0743	-0.1572	-0.0114	-0.0550	-0.0472	-0.0056	1.0000
	(0.6081)	(0.2756)	(0.9375)	(0.7045)	(0.7450)	(0.9694)	

(P-values in parenthesis)

Source: STATA Output (Appendix A2)

Table 4.2 show the Pearson correlation results of the dividend policy of quoted conglomerates in Nigeria and the ownership structure (managerial ownership, institutional ownership, ownership concentration and the control variables, firm size and leverage). The table indicates that there is a significant positive relationship between dividend payout ratio (DPOR) and managerial ownership of the quoted conglomerates in Nigeria, from the correlation coefficient of 0.6753, which is statistically significant at 1% level of significance(p-value of 0.0000). This result suggests that dividend payout ratio likely increases with increase in managerial ownership. The result on the other hand, shows a significant positive relationship between dividend payout (DPOR) and institutional ownership (INOS) of the quoted conglomerates in Nigeria, from the correlation coefficient of 0.8301 which is statistically significant at 1% level of significance (p-value of 0.0000). This also implies that dividend yield of quoted conglomerates in Nigeria likely improve with an increase in equity ownership by corporate institutions.

Moreover, the results from Table 4.2 indicates that there is a significant positive relationship between dividend payout ratio (DPOR) and the concentration of ownership (OWCO) of the quoted conglomerates in Nigeria, from the correlation coefficient of 0.6195, which is statistically significant at 1% level of significance, given the p-value of 0.0000. This result suggests that dividend payout ratio likely increases with increase in ownership concentration during the period of the study. The result on the other hand, shows an insignificant negative relationship between dividend payout ratio (DPOR) and firm size (SIZE) of the quoted conglomerates in Nigeria, from the correlation coefficient of -0.0703 which is not statistically significant at all levels of significance (p-value = 0.6277). This also implies that dividend payout of quoted conglomerates in Nigeria likely decrease with an increase in the size of the firms. Moreover, the result shows a positive relationship between dividend payout ratio (DPOR) and firm leverage (LEV) of the quoted conglomerates in Nigeria as evidenced from the coefficient of 0.0743 which is not significant at all levels of significance (p-value of 0.6081). This also implies that dividend payout ratio of quoted conglomerates in Nigeria likely improve with an increase in the firm's leverage. However, the result is not statistically significant at all levels.

On the other hand, table 4.2 indicates that there is a positive relationship between dividend yield (DIVYLD) and managerial ownership of the quoted conglomerates in Nigeria, from the correlation coefficient of 0.2177, which is not statistically significant at all levels of significance, from the p-value of 0.1289. This result suggests that dividend yield likely increases with increase in managerial ownership, but not statistically significant. The result shows a significant positive relationship between dividend yield (DIVYLD) and institutional ownership (INOS) of the quoted conglomerates in Nigeria, from the correlation coefficient of 0.3914 which is statistically significant at 1% level of significance (p-value of 0.0049). This also implies that dividend yield of quoted conglomerate firms in Nigeria likely improve with an increase in equity ownership by corporate institutions. Moreover, the

results from table 4.3 indicates that there is a significant positive relationship between dividend yield (DIVYLD) and the concentration of ownership (OWCO) of the quoted conglomerates in Nigeria, from the correlation coefficient of 0.3741, which is statistically significant at 1% level of significance, from the p-value of 0.0074. This result suggests that dividend yield likely increases with increase in ownership concentration during the period of the study. The result on the other hand, shows a an insignificant positive relationship between dividend yield (DIVYLD) and firm size (SIZE) of the quoted conglomerates in Nigeria, from the correlation coefficient of 0.0937 which is not statistically significant at all levels of significance (p-value of 0.5176). This also implies that dividend yield of thefirms likely improve with an increase in the size of the firms.

Moreover, the results show a negative relationship between dividend yield (DIVYLD) and firm leverage (LEV) of the quoted conglomerates in Nigeria, from the correlation coefficient of -0.1572 which is not significant at all levels of significance (p-value of 0.2756). This also implies that dividend yield of quoted conglomerates in Nigeria likely decrease with an increase in the firm's leverage. However, the result is not statistically significant at all levels.

Following the analysis of the relationships between the ownership structure and the dividend policy of quoted conglomerates in Nigeria, the study discussed the analysis of the regression results of the models of the study in the following section.

4.4 Regression Results

This section presents and discusses the regression results of the models of the study. The hypotheses formulated for the study are also tested in this section. The summary regression results together with some robustness tests conducted are presented in Table 4.3.

Table 4.3 Summary of Regression Results: Model One

Variables	Statistics	P-Values
Adjusted R square	0.7575	
R Square	0.7822	
Chi2: Model Fitness	179.57	0.0000
Hausman Test	Suest	
Hettest: Chi2	2.14	0.1434
Mean VIF	3.23	
Random Effect Test: Chibar2	0.00	1.0000

Source: STATA Output (Appendix A4, A5, A6, A10, A11, A12, A13, A14 & A17)

The study employed some robustness tests and other panel regression models in an effort to come up with reliable results and findings. The study found that the results is free from the problems of multicollinearity and heteroskedasticity, as indicated by the Breuch Pagan/Cook-Weisberg test for heteroskedasticity (Hettest) Chi2 of 2.14 with p-value of 0.1434, implying that the null hypothesis that the variance of the residual is constant (homoscedastic) is not rejected. On the other hand, the results from Table 4.3 indicate the absence of the perfect multicollinearity among the explanatory variables, as shown by the mean VIF of 3.23. From the result generated from STATA, the highest value for VIF was 6.38 for institutional ownership and tolerance value of 0.986681 for leverage. The decision criterion for the Variance Inflation Factor is that a value of 10 andabove implies the presence of perfect multicollinearity, which bias regression results. The decision criterion for the

Tolerance Value is that a value of 1 and above implies the presence of perfect multicollinearity, which bias regression results.

Table 4.3 indicates that OLS regression is the most appropriate for the study as indicated by the Breusch and Pagan Lagrangian Multiplier Test for Random Effects, which provide an absence of statistically significant variance among the units in the panel (from the Chibar2 of 0.00 with p-value of 1.0000). Similarly, the Hausman specification test revealed that the model requires a Generalized model (Seemingly Unrelated Regression, SUEST). Therefore, SUEST is used for model one; and the results show that the ownership structure variables (managerial ownership, institutional ownership and ownership concentration, and the explanatory variables) explained around 75.75 % of the total variations in the dependent variable (Dividend Pay-Out Ratio) of quoted conglomerates in Nigeria, from the coefficient of multiple determination (Adjusted R^2 value of 0.7575). The results also show that the model is fit as evidenced by the Chi2 of 179.57 which is statistically significant at 1% level of significance(P-value = 0.0000).

Table 4.4 Summary of Regression Results: Model Two

Variables	Statistics	P-Values
R Square	0.4451	
Adj. R Square	0.3820	
F-Statistic	7.06	0.0001
Hettest: Chi2	0.11	0.7375
Mean VIF	3.23	
Random Effect Test: Chibar2	0.00	1.0000

Source: STATA Output (Appendix A4, A5, A6, A10, A11, A12, A13, A14 & A17)

Table 4.4 presents the results of the model two of the study. The study also conducted some robustness tests and other panel regression models in an effort to come up with reliable results and findings. The results indicate that the model is free from the problems of multicolinearity and heteroskedasticity; as indicated by the Breuch Pagan/Cook-Weisberg test for heteroskedasticity (Hettest) Chi2 of 0.11 with p-value of 0.7375, an indication that the null hypothesis that the variance of the residual is constant (homoscedastic) is not rejected. On the other hand, the results from Table 4.4 indicate the absence of the perfect multicolinearity among the explanatory variables, as shown by the mean VIF of 3.23. The decision criterion for the Variance Inflation Factor is that a value of 10 and above implies the presence of perfect multicolinearity, which bias regression results.

Table 4.4 indicates that OLS regression is the most appropriate for the study as indicated by the Breusch and Pagan Lagrangian Multiplier Test for Random Effects, which provide an absence of statistically significant variance among the units in the panel (from the Chibar2 of 0.00 with p-value of 1.0000). Similarly, the results show that ownership structure variables (managerial ownership, institutional ownership and ownership concentration, and the explanatory variables) explained around 38.20% of the total variations in the dependent variable (Dividend yield) of quoted conglomerates in Nigeria, from the coefficient of multiple determinations (Adj. R^2 value of 0.3820). The results also show that the model is fit as evidenced by the F-Statistic of 7.06 which is statistically significant at 1% level of significance as indicated by the P-value of 0.0001.

4.5 Hypotheses Testing

This section of the chapter presents the regression coefficients for the tests of the research hypotheses formulated. The study tests the research hypotheses using the results in Table 4.5.

Table 4.5SUEST and OLS Regression Coefficients

MODEL 1	*MODEL 2*

Variables	*Co-efficient*	Z-value	*P-value*	*Co-efficient*	*p-value*	Z-value
MGOS	*-0.2002*	*-3.34*	***0.001***	*-0.1246*	*-3.09*	***0.003***
INOS	*0.3895*	*7.20*	***0.000***	*0.1248*	*3.87*	***0.000***
OWCO	*0.0921*	*2.92*	***0.004***	*0.1101*	*2.88*	***0.006***
SIZE	*0.4809*	*0.53*	*0.595*	*-0.1599*	*-4.12*	***0.000***
LEV	*0.5298*	*2.19*	***0.029***	*-0.2903*	*-2.43*	***0.019***
CONSTANT	*1.3999*	*5.55*	***0.000***	*57.4007*	*9.01*	***0.000***

Source: STATA Output (Appendix A4 & A11)

The results from Table 4.5 shows that managerial ownership (MGOS) has a significant negative impact on the dividend pay-out ratio (DPOR) of quoted conglomerates in Nigeria as indicated by the coefficient of -0.2002 with z-value of -3.34, which is statistically significant at 1% level of significance (from the P-value = 0.001). This implies that, when managerial ownership increases by one point, the firm's dividends decrease by 0.2002 point and the result is statistically significant at 1% level of significance.This may be due to the fact that managers may embark on selfish interests rather than the interest of all, which may eventually become detrimental to the dividend decision of the firm.The negative relationship between the dividend payouts and managerial ownership may be because increase in the managerial ownership could be as used as internal governance mechanism in curbing the opportunistic behaviour of the managers and to align the interest of the shareholders with that of the managers. In the same way dividend, payout can also used for controlling the opportunistic behaviour of the managers. The results on the other hand also shows that managerial ownership (MGOS) has a significant negative impact on the dividend yield (DIVYLD) of quoted conglomerates in Nigeria as indicated by the coefficient of -0.1246 with z-value of -3.09, which is statistically significant at 1% level of significance (from the P-value of 0.003). This implies that, when managerial ownership increases by one-point, the firms' dividend yield decreases by 12.46% and the result is statistically significant at 1% level of significance. This may be due to the fact that managers are usually more interested in retaining profits for their own selfish interests rather than distributing it as dividends to the shareholders. Based on this, the study rejects the null hypothesis four (H_{01})

which states that, managerial ownership has no significant impact on the dividend policy of quoted conglomerates in Nigeria. The study therefore infers that managerial ownership is significant in influencing the dividend policy of quoted conglomerates in Nigeria during the period of the study. This finding is in line with the findings of Eckbo and Verma (1994), Agrawal and Jarayaman (1994), Mohammed, Perry and Rimbey (1995), Short and Keasy (2002), and Harjito (2009).

The Table also shows that institutional ownership (INOS) has significant positive impact on the dividend payout ratio (DPOR) of quoted conglomerates in Nigeria, from coefficient of 0.3895 with the z-value of 7.20, which is statistically significant at 1% level of significance (from the P-value of 0.000). This implies that a one-point increaseininstitutional ownership leads to 0.3895 increase in dividend payout ratio of the firms. On the other hand,the Table also shows that institutional ownership (INOS) has significant positive impact on the dividend yield (DIVYLD) of quoted conglomerates in Nigeria, from coefficient of 0.1248 with z-value of 3.87, which is significant at 1% level of significance (from the P-value of 0.000). This implies that a one-point increaseininstitutional ownership leads to 0.1248 increase in dividend yield of the firms. This result is statistically significant at 1% level of significance. This may be because institutions do not directly monitor the firm's operations but they force the opportunistic managers to distribute the free cash flows available with the manager's and they do not have any such projects where they would utilize it for value creation purposes. Based on this, the study rejects the null hypothesis five (H_{02}) which states that, institutional ownership has no significant impact on the dividend policy of quoted conglomerates in Nigeria. The study therefore infers that institutional ownership is significant in influencing the dividend policy of listed conglomerates in Nigeria during the period of the study. This finding is in line with the findings of Han, Lee and Suk (1999) and Manos (2002).

Table 4.5 also indicates that ownership concentration (OWCO) has a significant positive impact on the dividend payout ratio (DPOR) of quoted conglomerates in Nigeria, from the coefficient of 0.0921 with z-value of 2.92, which is statistically significant at 1% level of significance (P-value = 0.004). This implies that when ownership concentration increases by 1%, the sampled firms adopt an increasing dividend policy of 9.21%. Similarly, Table 4.5 indicates that ownership concentration (OWCO) has a significant positive impact on the dividend yield (DIVYLD) of quoted conglomerates in Nigeria, from the coefficient of 0.1101 with t-statistic of 2.88, which is statistically significant at 1% level of significance (from the P-value of 0.006). This implies that when ownership concentration increases by 1%, dividend yield also increases by 11.01%. Based on this, the study rejects the null hypothesis three (H_{03}) which states that ownership concentration has no significant impact on the dividend pay-out ratio of quoted conglomerates in Nigeria. The study infers that ownership concentration is significant in influencing the dividend policy of listed conglomerates in Nigeria during the period of the study. This findings is in line with the findings of Mat, Nor and Sulong (2007) and Ramli (2010).

Furthermore, the table indicates that firm size (SIZE) has no significant impact on the dividend pay-out ratio (DPOR) of quoted conglomerates in Nigeria, from the coefficient of 0.4809 with z-value of 0.53, which is not statistically significant at all levels of significance (from the P-value of 0.595). this implies that firm size has no effect on the dividend policy of quoted conglomerates in Nigeria .The table on the other hand indicates that firm size (SIZE) has significant negative effect on the dividend yield (DIVYLD) of quoted conglomerates in Nigeria from the coefficient of -0.4059 with t-statistic of -4.12, which is significant at 1% levels of significance (from the P-value of 0.000). This implies that the size of quoted conglomerates in Nigeria is a significant determinant of dividend policy in the firms.

The Table on the other hand, shows that firm leverage (LEV) has significant positive impact on the dividend pay-out ratio (DPOR) of quoted conglomerates in Nigeria, from the coefficient of 0.5298 with z-value of 2.19, which is statistically significant at 5% level of significance (from the P-value of 0.029). This implies that the leverage of quoted conglomerates in Nigeria is a significant determinant of dividend policy of the firms.Moreover, the table indicates that firm leverage (LEV) has significant negative effect on the dividend yield (DIVYLD) of quoted conglomerates in Nigeria, from the coefficient of -0.2903 with t-value of -2.43 which is significant at 5% level of significance (from the P-value of 0.019). This implies that the leverage of quoted conglomerates in Nigeria is influential in the dividend policy of the sampled firms.

4.6 Discussion of Major Findings

From the analysis of the data collected and the results of the hypotheses tested, the study found that ownership structure (managerial ownership, institutional ownership and ownership concentration, and the explanatory variables) accounts for about 75% and 38% (using dividend pay-out ratio and dividend yield respectively) of the total variations in the dividend policy of quoted conglomerates in Nigeria. Particularly, the study after controlling for firm size and firm leverage, found that managerial ownership has significant negativeimpact on the dividend policy (using both the dividend pay-out ratio and dividend yield) of listed conglomerates in Nigeria during the period of the study. This finding is in line with the findings of Eckbo and Verma (1994), Agrawal and Jarayaman (1994), Mohammed, Perry and Rimbey (1995), Short and Keasey (2002), and Harjito (2009) who found a negative relationship between dividend policy and managerial shareholding.

The study also found that institutional ownership has significant positive impact on the dividend policy (dividend pay-out ratio and dividend yield) of listed conglomerates in Nigeria during the period of the study, after controlling for firm size and firm leverage. This finding supports the

findings of Han, Lee and Suk (1999) and Manos (2002) who found a positive relationship between dividend policy and institutional shareholding.

Moreover, the study found that ownership concentration has significant positive impact on the dividend policy (dividend pay-out ratio and dividend yield) of listed conglomerates in Nigeria during the period of the study, after controlling for firm size and firm leverage. This findings is in line with the findings of Mat, Nor and Sulong (2007) and Ramli (2010) who found that ownership concentration has significant positive effect on the dividend policy of firms.

4.6 Policy Implications of the Findings

The findings from this study implied that ownership concentration and institutional ownership of the quoted conglomerates in Nigeria could improve the return on investment of the investors, because of the evidence of significant increase in dividend payment. Therefore, there is need for the Securities and Exchange Commission to encourage institutional shareholdings. The findings imply that if adequate monitoring and supervision are not imposed on the managements, they may likely involve in unethical practices through dividend policy, due to the significant effect of their ownership on the dividend policy. The findings from the study also implied that higher institutional ownership could control managers and reduce agency problems. This is due to their investment size and the resources at their disposal. Institutional investors usually have better incentives and capabilities to collect and evaluate information pertaining to their investments and also possess the wherewithal to discipline management and even bring about changes when management performs inadequately.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The main objective of this study is to examine the impact of ownership structure on dividend policy of quoted conglomerates in Nigeria. Several studies such as the works of Manos (2002), Gugler (2003), Mat, Nor and Sulong (2007), Harjito (2009) and Ramli (2010) have been carried out to examine the impact of corporate ownership structure on the dividend policy of firms, but majority of these studies were conducted outside Nigeria. Hence, the need to conduct this study in Nigeria in order to ascertain if there will be any difference in the results. Several literatures were reviewed, among which are Jensen, Solberg and Zorn (1992), Alli et. Al (1993), Ang, Cole and Lin (2000) and Short, Zang and Keasey (2002). Four theories related to the study were also reviewed viz Stakeholders theory, Signalling theory, Free cash flow theory and Agency theory. Agency theory was used to underpin the study. The study employed correlational research design, and OLS regression

and Seemingly Unrelated Regression technique of data analysis was employed on the panel data collected. Based on the data collected, tested andanalyzed together with the results of the hypotheses tested, the study found that ownership structure (managerial ownership, institutional ownership and ownership concentration) and size and leverage explained about 38.20% of the variations in the dividend policy (based on the dividend yield) of quoted conglomerates in Nigeria, at 99% confidence level.

The study on the other hand found that the ownership structure variables (managerial ownership, institutional ownership and ownership concentration, and the explanatory variables) and firm size and leverage accounted for about 71% of the variations in the dividend policy (based on the dividend payout ratio) of quoted conglomerates in Nigeria.This indicates that the model based on dividend payout ratio has higher explanatory power than the model based on the dividend yield.

5.2 Conclusions

Based on the findings, the study concludes that ownership structure of quoted conglomerates in Nigeria is significant and positively related to their dividend policies. The study after controlling for firm size and firm leverage concludes that managerial ownership has significant negative impact on the dividend policy of quoted conglomerates in Nigeria during the period of the study. This may be as a result of large percentage of shares being held by directors (managers) which may make them become entrenched as put forward by the advocate of entrenchment hypothesis and hence they become ineffective in aligning insiders to take favourabledividend decisions. This is in line with the findings of Eckbo and Verma (1994), Agrawal and Jarayaman (1994), Mohammed, Perry and Rimbey (1995), Short and Keasey (2002), and Harjito (2009).The study also concludes that institutional ownership has

significant positive impact on the dividend policy of quoted conglomerates in Nigeria during the period of the study, after controlling for firm size and firm leverage.Therefore, when the proportion of shares held by institutions increases, the Dividend Policy of firms will be significantly affected positively. This supports the findings of Han, Lee and Suk (1999) and Manos (2002).Similarly, the study concludes that ownership concentration has significant positive impact on the dividend policy of quoted conglomerates in Nigeria during the period of the study, after controlling for firm size and firm leverage. Therefore, when the proportion of shares held by large shareholders increases, the Dividend policy of firms will be significantly affected positively. This also supports the works of Mat, Nor and Sulong (2007) and Ramli (2010).

5.3 Recommendations

Based on the findings of this study and the conclusions drawn therefrom the following recommendations are deemed pertinent:

(i) Government of Nigeria and its relevant agencies should review and increase monitoring on the equity ownership of the managers, due to its significant influence on the dividend policy, which may lead to an increase in the power and control of the managements over the resources of the firms.

(ii) Management of quoted conglomerates in Nigeria should abide by the international code of best practices by avoiding managerial unethical actions that affect the interest of other stakeholders adversely.This can be deduced from the negative impact which high managerial ownership has on the dividend policy of quoted conglomerates in Nigeria.

(iii) The managers who are at the helm of affairs do control majority of shares allotted in the company, as it gives them too much power and control over other

shareholders which may be responsible for the opportunistic behaviours by the managers in a bid to get short-term private gains. As a result of this, it is recommended that fewer amounts of shares should be held by the managers of the Conglomerates.

(iv) Capital market regulators should encourage institutional ownership, due to its significant influence on the dividend policy. Moreover, institutional ownership could also improve the monitoring and control of the management.

5.4 Limitations of the Study

The following are the limitations of the study;

i. The study uses only managerial ownership, institutional ownership and ownership concentration as ownership structure variables,and does not consider other ownership variables such as foreign ownership, family ownership and board of directors' ownership.

ii. As with quantitative study of this type, the methodological approach is a limitation on its own as the question of why a relationship may or may not exist can never be thoroughly answered.

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APPENDIX A

```
. xtset id year, yearly
       panel variable:  id (strongly balanced)
        time variable:  year, 2003 to 2012
                delta:  1 year
```

1. Descriptive statistics for all the variables.

owco

	Percentiles	Smallest		
1%	.0464781	.0464781		
5%	.0465578	.0464781		
10%	.0468083	.0465578	Obs	50
25%	.1193459	.0466374	Sum of Wgt.	50
50%	.2639099		Mean	.3791113
		Largest	Std. Dev.	.2713704
75%	.6825943	.73		
90%	.7115974	.73	Variance	.0736419
95%	.73	.7380831	Skewness	.0908403
99%	.7530716	.7530716	Kurtosis	1.300371

size

	Percentiles	Smallest		
1%	21.75584	21.75584		
5%	21.89567	21.79832		
10%	21.96692	21.89567	Obs	50
25%	22.14443	21.95983	Sum of Wgt.	50
50%	22.59683		Mean	22.63331
		Largest	Std. Dev.	.5712824
75%	23.04573	23.57148		
90%	23.42302	23.59371	Variance	.3263636
95%	23.59371	23.65465	Skewness	.4022417
99%	24.04323	24.04323	Kurtosis	2.201755

lev

	Percentiles	Smallest		
1%	0	0		
5%	.0006298	.0005931		
10%	.0027251	.0006298	Obs	50
25%	.0709164	.0007476	Sum of Wgt.	50
50%	.2311617		Mean	.2640404
		Largest	Std. Dev.	.205762
75%	.4550019	.5686178		
90%	.5639132	.5687032	Variance	.042338
95%	.5687032	.5768149	Skewness	.1891075
99%	.5810315	.5810315	Kurtosis	1.526102

.

2. Correlation matrix

```
. pwcorr dpor divyld mgos inos owco size lev, star (0.05) sig
```

	dpor	divyld	mgos	inos	owco	size	lev
dpor	1.0000						
divyld	0.5557*	1.0000					
	0.0000						
mgos	0.6753*	0.2177	1.0000				
	0.0000	0.1289					
inos	0.8301*	0.3914*	0.9092*	1.0000			
	0.0000	0.0049	0.0000				
owco	0.6195*	0.3741*	0.5533*	0.5784*	1.0000		
	0.0000	0.0074	0.0000	0.0000			
size	-0.0703	0.0937	0.0408	-0.0553	-0.0712	1.0000	
	0.6277	0.5176	0.7787	0.7031	0.6231		
lev	0.0743	-0.1572	-0.0114	-0.0550	-0.0472	-0.0056	1.0000
	0.6081	0.2756	0.9375	0.7045	0.7450	0.9694	

3. Regression Result (Model One)

```
. reg dpor mgos inos owco size lev
```

Source	SS	df	MS		
Model	110.561247	5	22.1122494	Number of obs	= 50
Residual	30.7841469	44	.699639701	F(5, 44)	= 31.61
				Prob > F	= 0.0000
Total	141.345394	49	2.88459988	R-squared	= 0.7822
				Adj R-squared	= 0.7575
				Root MSE	= .83644

dpor	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
mgos	-.2002332	.0639692	-3.13	0.003	-.3291547	-.0713117
inos	.3894593	.0576848	6.75	0.000	.2732033	.5057153
owco	.0921403	.0336576	2.74	0.009	.0243078	.1599727
size	.4809161	.9655219	0.50	0.621	-1.464965	2.426798
lev	.5298405	.257955	2.05	0.046	.0099663	1.049715
_cons	1.399993	.2689469	5.21	0.000	.8579665	1.94202

4. Heteroskedasticity test (Model One)

```
. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of dpor

         chi2(1)      =     2.14
         Prob > chi2  =   0.1434
```

5. Result of test for collinearity (Model One)

```
. vif
```

Variable	VIF	1/VIF
inos	6.38	0.156619
mgos	6.17	0.161957
owco	1.52	0.657574
size	1.06	0.943877
lev	1.01	0.986681
Mean VIF	3.23	

6. Fixed Effect Regression Result: Model One

```
. xtreg dpor mgos inos owco size lev, fe

Fixed-effects (within) regression               Number of obs      =         50
Group variable: id                              Number of groups   =          5

R-sq:  within  = 0.7757                         Obs per group: min =         10
       between = 0.9231                                        avg =       10.0
       overall = 0.7476                                        max =         10

                                                F(5,40)            =      27.67
corr(u_i, Xb)  = 0.3826                         Prob > F           =     0.0000
```

dpor	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
mgos	-.1171107	.058554	-2.00	0.052	-.2354528	.0012313
inos	.2415538	.0564864	4.28	0.000	.1273905	.3557171
owco	.1258629	.0275798	4.56	0.000	.0701221	.1816036
size	-.0303444	.8692767	-0.03	0.972	-1.787218	1.726529
lev	.6860457	.2262043	3.03	0.004	.2288699	1.143222
_cons	1.552237	.2162935	7.18	0.000	1.115091	1.989382
sigma_u	.74246687					
sigma_e	.64897624					
rho	.56688773	(fraction of variance due to u_i)				

```
F test that all u_i=0:     F(4, 40) =     8.27                 Prob > F = 0.0001

. est store fixed
```

7. Random Effect Regression Result: Model One

```
. xtreg dpor mgos inos owco size lev, re

Random-effects GLS regression                   Number of obs      =         50
Group variable: id                              Number of groups   =          5

R-sq:  within  = 0.7430                         Obs per group: min =         10
       between = 0.9362                                        avg =       10.0
       overall = 0.7822                                        max =         10

                                                Wald chi2(5)       =     158.03
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =     0.0000

------------------------------------------------------------------------------
        dpor |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        mgos |  -.2002332   .0639692    -3.13   0.002    -.3256106   -.0748558
        inos |   .3894593   .0576848     6.75   0.000     .2763993    .5025194
        owco |   .0921403   .0336576     2.74   0.006     .0261725     .158108
        size |   .4809161   .9655219     0.50   0.618    -1.411472    2.373304
         lev |   .5298405    .257955     2.05   0.040     .0242579    1.035423
       _cons |   1.399993   .2689469     5.21   0.000     .8728671     1.92712
-------------+----------------------------------------------------------------
     sigma_u |          0
     sigma_e |  .64897624
         rho |          0   (fraction of variance due to u_i)
------------------------------------------------------------------------------

. est store random
```

8. Hausman Specification Test Result: Model One

```
. hausman fixed random
```

	Coefficients (b) fixed	(B) random	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
mgos	-.1171107	-.2002332	.0831225	.
inos	.2415538	.3894593	-.1479055	.
owco	.1258629	.0921403	.0337226	.
size	-.0303444	.4809161	-.5112605	.
lev	.6860457	.5298405	.1562052	.

```
                b = consistent under Ho and Ha; obtained from xtreg
     B = inconsistent under Ha, efficient under Ho; obtained from xtreg

  Test:  Ho:  difference in coefficients not systematic

              chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                      =   -26.51    chi2<0 ==> model fitted on these
                                    data fails to meet the asymptotic
                                    assumptions of the Hausman test;
                                    see suest for a generalized test
```

9. Random Effect Test Result: Model One

```
. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

        dpor[id,t] = Xb + u[id] + e[id,t]

        Estimated results:
                         |       Var     sd = sqrt(Var)
                ---------+------------------------------
                    dpor |      2.8846        1.698411
                       e |     .4211702        .6489762
                       u |            0               0

        Test:   Var(u) = 0
                                 chibar2(01) =     0.00
                              Prob > chibar2 =   1.0000
```

10. Seemingly unrelated regression results

```
. sureg dpor mgos inos owco size lev

Seemingly unrelated regression
------------------------------------------------------------------------------
Equation              Obs   Parms        RMSE    "R-sq"       chi2         P
------------------------------------------------------------------------------
dpor                   50       5    .7846547    0.7822     179.57    0.0000
------------------------------------------------------------------------------

------------------------------------------------------------------------------
             |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
dpor         |
        mgos |  -.2002332   .0600085    -3.34   0.001    -.3178476   -.0826188
        inos |   .3894593   .0541131     7.20   0.000     .2833996    .4955191
        owco |   .0921403   .0315736     2.92   0.004      .030257    .1540235
        size |   .4809161   .9057398     0.53   0.595    -1.294301    2.256134
         lev |   .5298405   .2419833     2.19   0.029      .055562    1.004119
       _cons |   1.399993   .2522945     5.55   0.000     .9055051    1.894482
------------------------------------------------------------------------------

.
```

11. OLS Regression Results: Model Two

```
. reg divyld mgos inos owco size lev

      Source |       SS       df       MS              Number of obs =      50
-------------+------------------------------           F(  5,    44) =    7.06
       Model |  11197.7127     5  2239.54253           Prob > F      =  0.0001
    Residual |  13960.0821    44  317.274592           R-squared     =  0.4451
-------------+------------------------------           Adj R-squared =  0.3820
       Total |  25157.7947    49  513.424382           Root MSE      =  17.812

------------------------------------------------------------------------------
      divyld |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        mgos |  -.1246009   .0402696    -3.09   0.003    -.2057589   -.0434428
        inos |   .1248051   .0322564     3.87   0.000     .0597965    .1898137
        owco |   .1101011   .0382823     2.88   0.006     .0329483    .1872539
        size |  -.1599592   .0388484    -4.12   0.000    -.2382531   -.0816654
         lev |  -.2903262   .1194974    -2.43   0.019    -.5311574    -.049495
       _cons |   57.40068   6.373191     9.01   0.000     44.55636    70.24501
------------------------------------------------------------------------------
```

12. Result of Test for Heteroskedasticity ; Model two

```
. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of divyld

         chi2(1)      =     0.11
         Prob > chi2  =   0.7375
```

13. Fixed Effect Regression Result: Model Two

```
. xtreg divyld mgos inos owco size lev, fe

Fixed-effects (within) regression               Number of obs      =        50
Group variable: id                              Number of groups   =         5

R-sq:  within  = 0.4398                         Obs per group: min =        10
       between = 0.0115                                        avg =      10.0
       overall = 0.3649                                        max =        10

                                                F(5,40)            =      6.28
corr(u_i, Xb)  = -0.0697                        Prob > F           =    0.0002

------------------------------------------------------------------------------
      divyld |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        mgos |  -.1385136   .0443111    -3.13   0.003    -.2280696   -.0489576
        inos |   .1334643   .0377216     3.54   0.001     .0572262    .2097025
        owco |   .0836883   .0405494     2.06   0.046      .001735    .1656417
        size |  -.0833779   .0561051    -1.49   0.145    -.1967705    .0300146
         lev |  -.3815209   .1262203    -3.02   0.004    -.6366217   -.1264201
       _cons |   51.01467   10.29426     4.96   0.000     30.20919    71.82015
-------------+----------------------------------------------------------------
     sigma_u |  9.9594631
     sigma_e |  17.340975
         rho |  .24803906   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0:     F(4, 40) =     1.61                 Prob > F = 0.1916

. est store fixed
```

14. Random Effect Regression Result: Model Two

```
. xtreg divyld mgos inos owco size lev, re

Random-effects GLS regression                   Number of obs      =        50
Group variable: id                              Number of groups   =         5

R-sq:  within  = 0.4068                         Obs per group: min =        10
       between = 0.6788                                        avg =      10.0
       overall = 0.4451                                        max =        10

                                                Wald chi2(5)       =     35.29
corr(u_i, X)   = 0 (assumed)                    Prob > chi2        =    0.0000

------------------------------------------------------------------------------
      divyld |      Coef.   Std. Err.      z    P>|z|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        mgos |  -.1246009   .0402696    -3.09   0.002    -.2035278   -.0456739
        inos |   .1248051   .0322564     3.87   0.000     .0615836    .1880265
        owco |   .1101011   .0382823     2.88   0.004     .0350692    .1851329
        size |  -.1599592   .0388484    -4.12   0.000    -.2361007   -.0838177
         lev |  -.2903262   .1194974    -2.43   0.015    -.5245368   -.0561156
       _cons |   57.40068   6.373191     9.01   0.000     44.90946    69.89191
-------------+----------------------------------------------------------------
     sigma_u |          0
     sigma_e |  17.340975
         rho |          0   (fraction of variance due to u_i)
------------------------------------------------------------------------------

. est store random
```

15. Hausman Specification Test Result: Model Two

```
. hausman fixed random

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |    fixed        random       Difference          S.E.
-------------+------------------------------------------------------------
        mgos |  -.1385136    -.1246009       -.0139127        .0184887
        inos |   .1334643     .1248051        .0086593        .0195561
        owco |   .0836883     .1101011       -.0264127        .0133686
        size |  -.0833779    -.1599592        .0765813        .0404794
         lev |  -.3815209    -.2903262       -.0911947        .0406442
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =         3.56
                Prob>chi2 =       0.6138
                (V_b-V_B is not positive definite)
```

16. Random Effect Test Result: Model Two

```
. xttest0

Breusch and Pagan Lagrangian multiplier test for random effects

        divyld[id,t] = Xb + u[id] + e[id,t]

        Estimated results:
                     |       Var     sd = sqrt(Var)
             ---------+------------------------------
              divyld |    513.4244       22.65887
                   e |    300.7094       17.34098
                   u |           0              0

        Test:   Var(u) = 0
                           chibar2(01) =     0.00
                        Prob > chibar2 =   1.0000
```

APPENDIX B

POPULATION OF THE STUDY

FIRM	YEAR LISTED
1. UACN	1974
2. AG LEVENTIS	1978
3. CHELLARAMS	1977
4. JOHN HOLTS	1974
5. SCOA NIG. PLC	1977
6. TRANSCORP	2006

APPENDIX C

SAMPLE OF THE STUDY

FIRM	YEAR LISTED

1. UACN	1974
2. AG LEVENTIS	1978
3. JOHN HOLTS	1974
4. SCOA NIG. PLC	1977
5. CHELLARAMS	1977