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The effect of insider ownership on dividend payout ratio: empirical evidence from Pakistan

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Master of Science in Islamic Banking & Finance

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Leadership and Ideas for Tomorrow

THE EFFECT OF INSIDER OWNERSHIP ON DIVIDEND PAYOUT RATIO: EMPIRICAL EVIDENCE FROM PAKISTAN

This Research Project is submitted to the Department of Finance as partial fulfillment of Master of Science Degree in Islamic Banking and Finance

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List of Abbreviations

DPR	Dividend Payout Ratio
OS	Ownership Structure
IO	Insider Ownership
ROA	Return on Assets
ROI	Return on Investment
ROE	Return on Equity
EPS	Earning Per Share
DPS	Dividend per Share
CE	Current Earnings
MLR	Multi-linear Regression
SD	Standard Deviation
PSX	Pakistan Stock Exchange
CSE	Colombo Stock Exchange
ISE	Indonesia Stock Exchange
NSE	New York Stock Exchange
SMEs	Small Medium Enterprises
UAE	United Arab Emirates
DV	Dependent Variable
IV	Independent Variable

Abstract

Dividend's policy is one of the important policies along with financial and investment policies in the area of decision making in finance world. The decisions regarding dividend policy are the mainly important business decisions organizations have to make. There are several variables which do affect the dividend payout policy of a company and each company and industry has different dividend policy and it affects greatly on business, share price and future growth. The current study investigated the impact of Insider Ownership, Leverage, ROA and firm size on DPR. The study has used Insider Ownership, Leverage, ROA and firm as independent variables and DPR as dependent variable. The study has collected the panel data of 30 firms for the time period of total 9 years from 2011 to 2019. Descriptive, Correlation and regression was applied to analyze the data with the execution of SPSS software. The results indicate that Insider Ownership has positive impact on DPR. However, the results also indicate that ROA have significant impact on DPR. Furthermore, the results indicate that Firm Size and Leverage have insignificant impact on DPR.

Keywords: DPR, Insider Ownership, Leverage, Firm Size, Descriptive, Regression, Pakistan Stock Exchange

Chapter 1

Introduction

1.1 Background

Dividend policy has always been an important and most arguable topic in the context of business finance. Dividend policy is vital financial policy from the perspective of firm, investors, customers, workers, rigid bodies and government. Narang (2018) defined DPR as the sum of the money that the firm pays to the shareholders against the amount kept saved for other purposes in the financial matters. Moreover, the dividend payout ratio is different in every company based on the size and the functions of the company whereas it has been observed that majority of the major and big organizations are having higher dividend payout ratio whereas the companies having small scaled or medium scaled business are the companies with less or limited dividend payout ratio. However, Amiram, Bauer, and Frank (2016) discussed that the profit of the company is being divided in different portions among which one is the dividend portions that is the amount which is being paid to the shareholders and regarding this a company have specified rations that the company maintain for the dividends to be paid and the amount of the profit to be kept for the further financial and cost implementations; and this ration that is being used for deciding the amount of the money to be paid to the shareholders in return to their investment in the firm is known as DPR. As per the research this has been provided that in academic fields regarding the finance and accounts this ratio is one of the significant elements over the investment of the company and the success of the business is highly related to the DPR.

Investors do have main worth for dividends due to fact that the decisions of dividends affect the image of company. However, the motive for implementation of dividend policy is the major issue for company, as the decisions of dividend policy is mainly relying on several aspects such as tax, profits, and liquidity. The firm size is another major aspect of dividend policy as bigger companies have better abilities to give better dividends because of their profitability in the market. Furthermore, there is separate ownership structure and control in bigger firms as dividend offer monitoring advantages in these companies (Mehrani, Moradi, & Esk, 2011). In contrast, dividend payment to investors do help in decreasing the control of managers and control over the resources of company and limiting managers to increase the firm value. This results into less agency issues among both firm and investors. From the perspective of ownership, higher degree of insider ownership does lessen the agency conflicts via interest position among both parties, however, it also affect the dividend policy by deploying resources for their own interest and decreasing dividend payment to marginal shareholders which creates more conflicts of interest (Afza & Mirza, 2010).

1.2 Problem Statement

Dividend policy is not a new phenomenon in the business economics but still it is debatable topic. Each company design different dividend policy, sometimes companies pay their dividend and sometimes they don't. Sometimes even most profitable and financially firms such as Apple, Google, etc. they don't pay dividends and sometime even weak companies pay dividends. Khan, Nadeem, Islam, Salman, and Gill (2016) argued that the companies have increase their focus on dividend policy from last couple of years on the international basis and the study also consider that dividend policy may influence the firm profitability. There is always a risk as well as doubt when an investor does investment that is not to be observed up to specific limits. An investor must know the situations regarding the firm performance, economics stability and information regarding the political situation before making any investment. The dividend policy is an important factor which an investor has to know, and firms have to formulate for the betterment of shareholders and for firm performance. The dividend policy is mainly relying on ownership structure. However, in last few years, it has gained major significance in financial literature due financial issues such as conflict of interest between managers and investor (Gillan & Starks, 2003). Conflict arises because of various kinds of ownerships and their dividend demands in company. Several research have examined the overall effect of ownership structure, but this study aims to analyze the influence of insider ownership on dividend payout policies of listed companies at PSX.

1.3 Research Objectives

The following are the research objectives of the study.

- To scrutinize the effect of insider ownership on DPR in the listed firms at PSX.
- The study also aims to investigate that how dividend payout policies of these

firms is affected due to ownership factor that is insider ownership.

1.4 Scope of the Study

Developing a better dividend policy that can improve the business is important for the organizations. As the competition is increasing and due to globalization of companies, they have to compete and find difficulty to earn profits. Managers should go to deep and must compete in this competitive environment to formulate better structure of business. This study can make contribution to present literature and can provide the results of dividend policy. The research can also be useful for policy makers to develop better dividend policies for investors. This research can reinforce the idea of better business dividend decisions and contributes on different theories based on financial market of Pakistan. The study can also be useful for shareholders concerning their decisions regarding investment.

1.5 Delimitations

There are very few delimitations of the study as the study only selects 30 companies in the sample. However, there are several studies in the past that have explained the impact of insider ownership on DPR by deploying multivariate model that reduces the chances of information reliability. Furthermore, this study has focused on insider ownership, and has omitted the other ownership structure variables. Therefore, to decrease the issues in econometric framework this research further lengthen the model by choosing important variables in the study. In addition, this study is limited to only three main statistical techniques that are descriptive analysis, multiple regression and correlation.

1.6 Limitations

There are numerous limitations in the study, as the number of companies was selected in the sample was only 30, that could have been more than 30, only few number of variables was used in the study, there are several variables such as Age, overall ownership structure, Tax and risk could have been used in the study. Therefore, these limitations may provide opportunities for advance future research in the financial field.

Chapter 2

Literature Review

2.1 Theories related to Dividend

2.1.1 Agency theory

This recommends that dividend policy is explained by agency expenses which arise due to changes in power and ownership. Managers can`t implement dividend policy which can be in favor for investors but they have to adopt a policy that basically a beneficial for them. Dividend payouts that decrease the cash flow presented to managers can therefore guarantee that managers increase the investor`s wealth not to use funds for themselves (DeAngelo, & DeAngelo, 2007).

2.1.2 Signaling Theory

This theory suggested that dividend policy is a basically an instrument to convey the message about organizational future scenario to shareholders. Dividend announcements communicate important knowledge that investors don’t possess, regarding the management`s evaluation of firm`s potential profitability, therefore decreasing the data irregularity and Shareholders can use this data to evaluate the stock price of firm. The instinct explains this discussion is based on of the data indiscretion among executives as well as external shareholders, wherever executives have confidential information regarding the present and future fate of company which isn’t accessible to outsider (Al-Kuwari, 2009).

2.1.3 Bird in hand theory

This suggested that there is an association among organizational value and dividend payout. Shareholders prefer dividends over capital gain due to riskier nature of capital gain compares to dividends (Amidu, 2007). Companies must set higher dividend pay ratio as well as propose better dividend yield to increase their share prices. Gordon (1963) argued in the core of this theory that external investors prefer better dividend policy, and they assume dividends as less riskier compares to future gains, therefore it is clear that shareholders prefer high DPR.

2.1.4 Dividend Irrelevance Theory

Shareholders are uninterested among dividends plus capital gain, they use to trade stock whenever they want to have cash, and investors may use dividends to purchase stock if they don't want any cash. Modigliani and Miller (1958) supported this theory.

2.2 IO and Dividends

Dividend policy is contentious topic in the context of business economics around the world and has significance in most emerging markets. There are several previous studies that have tried to discover problems about the dynamics and factors of dividend policy. Kulathunga and Azeez (2016) investigate the relationship among ownership structure kinds as well as dividend approach of traded firms in the Colombo Stock Exchange. The study deployed panel statistics which were composed from the yearly reports of 77 firms for the time period from 2006 to 2014. The findings of regression show that ownership identity is important while explaining the dividends. The findings indicate that institutional and managerial ownership has insignificant association with each other while there is positive association among dividend policy with managerial ownership framework. The sizes of company, cash flow, possible development opportunity factors are too important for dividend policy. The leverage is not important factor while in discussing the dividend strategies, the institutional, organization as well as the meditation owners' actions in the CSE are connected with signing, cash flow as well as agency theory descriptions for dividend payment.

Al-Najjar and Kilincarslan (2016) examines the impact of ownership structure on dividend approach of traded companies in Turkey. Specifically, the study tries to discover the impact of family control via ownership as well as board independence, non-family shareholders (overseas investors, national monetary organizations plus government) and lesser investors on dividend choices after 2003 since it observes the main financial plus organizational restructurings. The study used substitute dividend strategy measures, the chance of dividend payment, dividend ratio, as well as dividend profit and then deploys the suitable regression method to examine the hypothesis of the study by concentrating on the current dataset of two hundred sixty-four traded firms for the time period from 2003-2013. The findings indicate that overseas and government ownership are related with the less possibility of giving dividends, whereas additional ownership factors; family participation, national monetary institutions as well as smaller investors are not significant in influencing the chance of giving dividends.

Erkan, Fainshmidt, and Judge (2016) explains that the DPR determines that what amount of profit a company is offering to the shareholders as the return of their trust and investment in the company. All the other investments' decisions, payments to be made and profitability of the company are somehow linked with this DPR. It has been observed that researchers have mentioned these all elements with each other in multiple ways as it has been stated that if firm is having better profits, then the company may offer higher DPR to the shareholders. On the other hand this is also being stated that the investment and decisions regarding the investments are having concerns with the DPR as if the company has plans to improve and so invest most of the profit in the improvement then the shareholder will get less dividend and so the DPR will be low and this is the reason that majority of the SMEs which are focused on the development provide less DPR while the large organizations offer high DPR to their shareholders. Some studies also relate the DPR with the tax to be paid in a sense that the profit that a company earns is divided into multiple portions which are being used for multiple purposes such as for the payment of the tax and this is the reason the company which have to pay high taxes due to their business characteristics then the DPR can be affected to some context.

Benjamin, Wasiuzzaman, Mokhtarinia, and Nejad (2016) scrutinize the effect of family rights on dividend payment from the viewpoint of agency expenses in Malaysia. Yearly monetary, board as well as family rights statistics of 160 Malaysian listed organizations are composed for the time period from 2005 to 2010. The experimental findings recommend that family distribute ownership at the discrete rank from 0 to 5 % is pessimistically connected with dividend payment and optimistically connected from the 5 to 33 % with dividend payment. Dependable with the existing text, the experiential affiliation among family distribute possession and dividend payment is strong in organizations with lesser total assets, small liability and small development opportunity. Additional assessment of savings choice lends sustains to influence which characterize superior agency expenses as a result of family ownership.

Bako (2015) analyzed the influence of OS on DP on dividend policy of companies traded in the customer product sector in Nigeria. The research deployed the data which was composed from yearly reports of companies and descriptive statistics and regression was analyzed. The findings indicate that internal ownership as well as external ownership of shareholdings has insignificant effect on DPS, whereas block-holders have insignificant impact on DPS. Moreover, the effect of control factor EPS on DPS was significantly positive. The study advocate investigation of dividend strategy of organizations in the customer product sector, Nigerian shareholders must give confined focus toward the ownership formation of organization and main factor is the profit does matter as compares to the ownership framework of firm. The dividend payment ratio is factor of dividend payment, as it was suggested that dividend customers can be motivated to spend in the goods industry of customers in Nigeria.

2.3 ROA and Dividend

Mossadak, Fontaine, and Khemakhem (2016) examined the association among the ownership model as well as dividend strategy. The findings indicate the positive association among OS and DP; therefore, institutional ownership does not have any positive association with dividend strategy. Fitri, Hosen, and Muhari (2016) investigate the determinants of dividend percentage of companies listed at Jakarta Islamic Index. The panel data was collected from 2009 to 2014 and results of panel regression indicate that insignificant impact of Assets growth with DPR, and positive impact of ROA and DPR with $DPR_{t-1.}$ While debt to equity ratio didn't have significant impact on DPR and DPR_{t-1} was only variable that had significant impact on DPR.

Hasan, Ahmad, Rafiq, and Rehman (2015) examine the relationship among DPR and firm performance in textile and energy industries. The study collected the data for the time period of 1996 to 2008. EPS and ROA were used to measure profitability. The findings indicate the DPR had insignificant impact of DPR on future earnings of company regardless of any sector.

Miko and Kamardin (2015) argued that the dividend policy is measured an integral strategy in the decisions making of firms that always have great effect on the response of investors. The study analyzed the effect of ownership structure on the business dividend approach in with the framework of organizational problems. The study used the data for the time period from 2001 to 2010 by means of eight multinational companies comprises of total eighty-observations. The statistics was composed from the yearly reports of Multinational organizations. The findings indicate that there is positive affiliation between the DPR as well as institutional ownership. The findings also explore that greater institutional and family shareholding leads toward the higher dividend payment of companies. The results recommend that dividend approach is deployed by the executive to seize the wealth of shareholders, it was also suggested that multination firms in Nigeria must motivate additional institutional ownership to decrease the resourceful experience via dividend policy.

Priya and Nimalathasan (2013) investigate the influence of dividend approach on firm profitability in Sri Lankan hotels and Restaurants. The data of these firms were collected from 2008 to 2012 and regression was implied to examine the data. The results indicate that significant impact of dividend approach on financial profitability except ROI and ROE.

2.4 Size, Leverage and Dividend

Ahmad and Wardani (2014) using the logit regression investigates the association among profit, liquidity, leverage, and size to dividend approach of 98 companies listed at ISE from 2006 to 2010. The results indicate that profit as well as size was significantly related to dividend policy while leverage, growth and liquidity don’t correlate positively. Mehta (2012) explains that decision regarding the dividend is the important and the current study examines the major variable that impacts the dividend payment choice in UAE companies. The data for the risk, liquidity, size, leverage and profitability was collected from 2005 to 2009 of all companies of different sectors of UAE. The results of regression indicate that size as well as profitability is the major variables deployed by UAE companies while making dividend decisions.

Iqbal, Waseem, and Asad (2014) examine the influence that dividend strategy can have on investor`s money. The data was taken of 35 firms for the time period of 2006-2011 on yearly basis. The result indicates the size; growth rate and dividend policy had significant impact on shareholders’ wealth. Their findings were useful for business management regarding divided distribution among shareholders.

Malik, Gul, Khan, Rehman, and Khan (2013) examine the determinants influencing dividend payment decisions. The finding shows that EPS, Profit along with size influences the chances of firms to pay their dividends while growth didn’t increase the chances to pay dividend. However, Musiega, Alala, Douglas, Christopher, and Robert (2013) investigate the factors of dividend strategy in companies listed at NSE. They found the cause of current earning on dividend decisions as well as to examine the association of profit, growth and liquidity affecting the decisions regarding dividend policy. The results of regression indicate that ROE, CE, and growth had significant association with dividend payout while both size as well as size increases the accuracy of significant factors of dividend payout. Al-Hasan, Asaduzzaman, and Karim (2013) argued that most debatable topic in financial filed is the impact of dividend approach on share price in market. There have been so many studies which have gone against this theory. The finding indicates that there is less effect of dividend payout on market prices as compares to retention and study supports the related dividend theory.

Chapter 3

Research Methodology

This segment explains the type of research that will be used in the study, the research approach, and size of sample for the data collection, source of data collection, theoretical framework, model estimations and measurements of variables. Explanatory Research has been used in this study to identify the issue in more depth and understand the problem. This type of research is useful to answer research questions with percentage or number and is effective when something is already identified and is applicable when the researcher is analyzing something which is already identified, and researcher is trying to add more explanation in that study.

3.1 Data

The study is secondary research and total 30 listed firms will be used for the data collection through their annual reports for the 09 years from 2011 to 2019. The source of data collection is the website; https://www.psx.com.pk/. http://www.scstrade.com/.

3.2 Population and Sample

Total 30 listed firms listed at Pakistan stock exchange has been targeted randomly as sample size in this current study.

3.3 Theoretical Framework

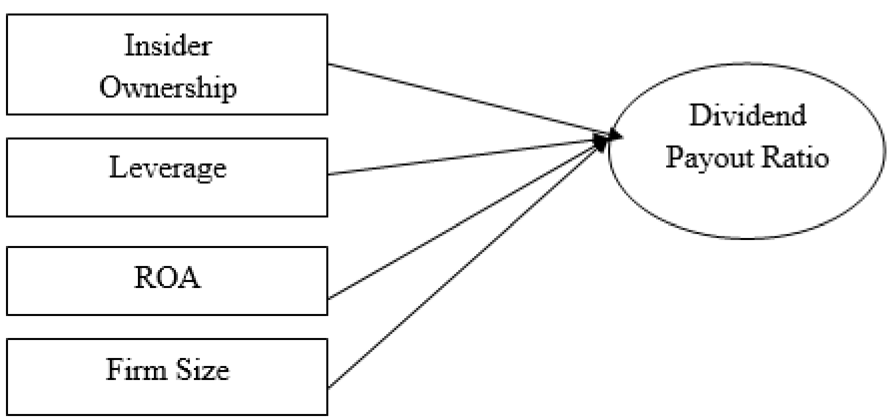

Figure 1: Research Framework

Table 1: Description of variables

Variable	Description	Unit	Data Source
Insider Ownership	Percentage of ordinary shares owned by the directors of the board in year t	PKR	Annual Reports of Companies
Firm Size	Natural Logarithm of Total Assets	PKR	Annual Reports of Companies
Leverage	Total Debt/ Total Assets	PKR	Annual Reports of Companies
Return on Assets (ROA)	Net Income / Total Assets	PKR	Annual Reports of Companies
DPR	dividend per share/ earnings per share	PKR	Annual Reports of Companies

Variables:

Independent Variables

- Insider Ownership
- Leverage
- Return on Assets
- Firm Size

Dependent Variable

- Dividend Payout Ratio

3.4 Model Specification and Hypotheses

Dividend Payout Ratio= $\alpha + \beta^1(\text{IO}) + \beta^2(\text{Leverage}) + \beta^3(\text{ROA}) + \beta^4(\text{Firm Size}) + \epsilon t$

Where, DPR is the dependent variable, whereas, Insider ownership, Leverage, ROA and firm size are independent variables affecting DPR.

The study has developed the hypothesis with the help of previous researches such as (Fama & French, 2001; DeAngelo & DeAngelo, 2007; Korkeamaki, Liljeblom & Pasternack, 2010).

H1: Insider Ownership has positive impact on DPR.

H2: Leverage has negative impact on DPR.

H3: ROA has positive impact on DPR.

H4: Firm Size has positive impact on DPR.

3.5 Estimation Methods

The data deployed in this research are annual that covers the period from 2011 to 2019. To current study has used descriptive, correlations, and multi-linear regression to analyze the data.

Descriptive Analysis

It deals with explaining a fact that a researcher thinks something it and it also tries to analyze the situation to explain the norm. However, it also includes the collection of data connected with individuals, events, and situation and after that organizes, analyze, and describe the results (Waliman, 2011). Descriptive Analysis is used to explain the variables rather than to test the association among variables. The main purpose of descriptive analysis is description, and it does not determine the cause and effect.

Advantages

- Higher level of objectivity and neutrality
- Wider image of an event or fact.
- It gives an opportunity to conduct a descriptive study by using several variables or even one variable.
- It is useful to understand the topic and is useful for researchers to interpret the results from more difficult statistical framework.

Correlation

Correlation comes before regression. It begins with the simple correlation which gives the level of linear relationship among two variables. There is no difference among IVs and DVs in correlation; hence, Correlation determines the link involving IO, ROA, Leverage, Firm Size and DPR.

Advantages

- The outcome of correlation analysis is simple to classify.
- Correlation analysis allows researchers to gather more data as compares to experiments.
- Correlation analysis allows researchers to explain the strength of a relationship.

Regression

In regression there is difference between an independent variable and dependent variable. The panel regression is applied to investigate the association between several independent variables (IO, Leverage, ROA, and Size) and dependent variable (DPR).

Advantages

- It allows a researcher to scrutinize the association among two or more variables.
- 2ND advantage is the capability to recognize outliers in data.
- It allows multiple independent/predictor variables to be the part of the regression model.
- It is easily affected by outliers.

Chapter 4

Results and Discussion

4.1 Descriptive Statistics

Table 2: Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
Leverage	270	0.06	32.28	2.04	4.08	4.67	25.84
ROA	270	-7.90	53.10	10.80	8.26	1.19	3.00
Firm Size	270	6.05	11.85	8.99	1.27	-0.08	-0.38
DPR	270	-0.82	3.09	0.48	0.42	2.11	8.33
IO	270	0.00	0.93	0.27	0.25	0.64	-0.68
Valid N (listwise)	270						

The Descriptive statistics indicate the normal behavior of data of dividend payout. Table-2 includes mean value, minimum and maximum value, kurtosis, skewness and standard deviation values of all sampled variables. The mean value indicating the average, SD indicates how it deviates from mean value. However, both minimum as well as maximum is the differences between high value and low values in the data. Skewness indicates that how data is looked from some point, and it is measure of data distribution from one side (left) to other side (right). Furthermore, kurtosis indicates the data tail, it indicates the lightly tail or highly tail from middle. From table 4.1, the results indicate that, the mean value of Leverage is (2.04) with the standard deviation of 4.08. The maximum value is 32.28, and minimum is -0.06 indicate the higher and lower value of leverage of all sampled firms over the time period. The skewness value is 4.67 indicates that data is highly skewed and kurtosis value is 25.84, which indicates that data has heavier tails.

Furthermore, From Table 4.1 the results state that the mean value of the dependent variable that is the DPR. The mean value of DPR is (0.48) with the standard deviation of 0.42. The maximum value is 3.09, and minimum is -0.82 indicate the higher and lower value of DPR of all sampled firms over the time period. The skewness value is 2.11 indicates that data is positively distributed, and kurtosis value is 8.33, which indicates that data has heavier tails. However, mean value of ROA is 10.80 indicating average increase with the value of standard deviation of 8.26. The minimum and maximum values are -7.90 and 53.10 respectively, which indicates a higher increase and decrease in ROA over the time period. The Skewness value is 1.19 and kurtosis value is 3.00 indicating the significant side and it also indicates that data is up on the peak. Furthermore, the mean value of IO is 0.27, with the standard deviation value of 0.25. The minimum and maximum values are 0.00, 0.93 respectively. The Skewness value is 0.64 which indicate data is positively distributed.

4.2 Correlation Results

Table 3: Correlations

		Leverage	ROA	Firm Size	DPR	IO
Leverage	Pearson Correlation	1	-.227**	.232**	-.108	.090
	Sig. (2-tailed)		.000	.000	.075	.142
	N	270	270	270	270	270
ROA	Pearson Correlation	-.227**	1	-.146*	.206**	-.273**
	Sig. (2-tailed)	.000		.017	.001	.000
	N	270	270	270	270	270
Firm Size	Pearson Correlation	.232**	-.146*	1	.007	-.403**
	Sig. (2-tailed)	.000	.017		.915	.000
	N	270	270	270	270	270
DPR	Pearson Correlation	-.108	.206**	.007	1	-.218**
	Sig. (2-tailed)	.075	.001	.915		.000
	N	270	270	270	270	270
IO	Pearson Correlation	.090	-.273**	-.403**	-.218**	1
	Sig. (2-tailed)	.142	.000	.000	.000	
	N	270	270	270	270	270

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Correlation analysis is a technique which is deployed to examine the association among variables. It discusses the dependency of several variables on similar time period. The value ranging from -1 to +1 indicates the degree of relationship among the variables showing either it can be negative or positive. However, value near to +1 indicates that variables are significantly associated with each other while value less than 0 indicate that two variables are negatively associated with each other. The value of DPR, Firm Size, IO, Leverage and ROA is 1.000000 the positive relationship with each other.

4.3 Regression Results

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.275[a]	.075	.061	.408570521043762

a. Predictors: (Constant), IO, Leverage, ROA, Firm Size

Table 4 (model summary) provides the details about R and R-square, However, DPR was taken as dependent variable whereas, IO, Leverage, ROA, and Firm Size were used as independent variables. The R-square (.075) indicates that sum of deviation in DPR due to IO, Leverage, ROA, and Firm Size

Table 5: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.608	4	.902	5.403	.000[b]
	Residual	44.236	265	.167		
	Total	47.844	269			

a. Dependent Variable: DPR

b. Predictors: (Constant), IO, Leverage, ROA, Firm Size

Table 5 (ANOVA) provides the details about significance of regression model. However, the f-value 5.403 which is greater than significant value (3.84) and sig-value which is 0.000 which is less than 0.05 indicating that regression model is significant and good for the further examination.

Table 6: Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.615	.236		2.606	.010
	Leverage	-.005	.006	-.051	-.817	.415
	ROA	.007	.003	.136	2.100	.037
	Firm Size	-.013	.023	-.039	-.566	.572
	IO	-.003	.001	-.193	-2.746	.006

a. Dependent Variable: DPR

The Coefficient table is vital for hypothesis testing in which both t-value and sig-value are important. DPR was taken as DV, while IO, Leverage, ROA, and Firm Size were used as IV. The-sig value must be less than 0.05 for the significance. The findings in above table shows that sig-value of ROA (0.037) is less than 0.05 displaying that hypothesis is accepted and there is positive effect of ROA on DPR, while, the sig-value of IO is 0.006 is also less than 0.05 indicating that IO has significant impact on DPR. However, the results of leverage and firm size are insignificant, and their sig-values are greater than 0.05 indicating that both leverage and firm size does not have significant impact on DPR.

The explanation of this study is to carry on the dividend contest into the region of up-and-coming market for the reason that Pakistan is heading for go into the up-and-coming markets almost immediately. It is obvious that the image of dividend policy is unfinished, particularly for fear that of Pakistan’s money market. There is no hesitation in any way that in money market of Pakistan, dividend approach is completely dissimilar from the industrial economies. The current study investigated the impact of Insider Ownership, Leverage, ROA and firm size on DPR. The study has used Insider Ownership, Leverage, ROA and firm as independent variables and DPR as dependent variable. The study has collected the data of 30 firms for the time period of total 9 years from 2011 to 2019. Descriptive, Correlation and Multi-linear regression was applied to analyze the data with the execution of SPSS software. The results indicate that Insider Ownership has positive impact on DPR. Balachandran, Khan, Mather, and Theobald (2017) found that Insider ownership is significantly associated with the decision to pay dividends and dividend payout. However, the results also indicate that ROA have significant impact on DPR. Hosen, and Muhari (2016) found the positive relationship between ROA and DPR in firms listed at Jakarta Islamic Index. Furthermore, the results indicate that Firm Size and Leverage does not have significant impact on DPR. Balachandran, Khan, Mather, and Theobald (2017) found companies with larger insider ownership are more probably to pay higher dividends. However, smaller organizations with low leverage do have higher insider ownership which shows that higher insider ownership have lack of assessment and accountability and they can have increasing agency problems. Hence, organizations having higher insider ownership pay more dividends to decrease agency issues and costs.

Chapter 5

Conclusions

The performance of dividend policy is vital subject in progress business finance plus for Pakistan's money market. It is mainly contentious topic in the progress business economics as well as still remains its famous position. Omet (2004) revealed that organizations in the America regulate their dividends easily to preserve an objective extended run payment proportion. The results of Lintner concerning the dividend smooth have as well been long-established by frequent new research given that the former's magazine. The downy of the dividend is a renowned experiential reality however its experiential facts is base on American market. The dividend policies of firms are different from nation to nation because of different organization as well as money market disparity. Brealey and Myers (2005) list dividends like as best ten significant unsettled subjects in the pasture of precede business economics. Black (1976) discussed that dividends are the most important mystery in the finances of investment. Allen and Michaely (2003) found in experiential study that a large amount of experiential and hypothetical studies on energetic as well as characteristics of dividend policy need sooner than agreement can be accomplish. Because of the family companies in Pakistan, favoritism is mainly pursued at the moment of conference of directors as well as consequently they are salaried weighty payment plus extreme repayment. The additional expenditure decreases the profitability of the company and consequently companies found it hard to announce dividends. Altogether these diversions who experience are the marginal shareholders (Mehar, 2002).

Companies are always in dilemma that what amount of earning to be paid as dividend and how much an earning company should retain in the business to increase the growth of the firm. Further dividends payouts on the requirement of higher market prospects can every so often assist in become constant and enhancing the stock prices, however it can affect in inadequate sum of retained earnings accessible to plough in the company to create extra profits and develop potential development of the company. It is still debatable topic in business finance, there are so many studies have been discussed around the world with different theories and assumptions that what factors companies should consider while making dividend decisions. For the shareholders and companies' dividend decisions is important as managers have to decide what percentage of earning must be invested and allocated among shareholders as dividends and managers and they have to consider various potential opportunities that can boost future earnings plus if these opportunities aren't accessible the organization must allocate the earnings to investors.

The study concludes and suggests that by increasing the assets of firm that is size of firm, shareholders may expect a bigger increment in the announcement of dividend for particular year. Furthermore, Investors have to focus on previous dividend payments if they are expecting better dividend payments. Managers also have to focus on both ROA and ROE to develop better dividend policy because when they decide to increase the growth of firm`s assets, it can decrease the capability of firms in dividend payments as firms likely to held back their earnings to use these funds to increase growth. Basically, firms must use their assets in better manner so that profits generated by firms can be increased.

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