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Corporate Governance and Dividend Payments. An Evidence from ASEAN-5

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Abstract

Using GMM on the data from 689 firms between 2000 and 2015, the study examines the impact of corporate governance on dividend payments (DP) in ASEAN-5. The findings show that a higher percentage of the share ownership by the chief executive officer (CEO) and the founders as CEOs, and a large number of independent directors, increase DP in firms, indicating a decrease in internal funds that could be otherwise misused, supporting the interest alignment hypothesis. In contrast, a higher percentage of CEOs with dual positions and a larger board decreases the DP, indicating an increase in internal funds that can be used for personal benefits, supporting the agency cost hypothesis. In addition, CEOs with dual positions in small firms encourage the DP, while governance practices in medium-sized firms reduce the DP to use funds for potential future investment opportunities. Moreover, the impact of corporate governance on the DP differs significantly in the period before and after the 2008-2009 financial crisis. The policy implications are highlighted at the end of the study.

1. Introduction

The regime and rules that a firm's management follows to reward shareholders for investing their financial resources in firms is the dividend policy (Nissim & Ziv, 2001). Management has the option of adjusting the dividend payment (DP) rate to achieve the best dividend policy level (Lintner, 1956). The dividend-sharing policy, whether to pay dividends to shareholders in various forms (in cash or shares) or retain money by the firm's managers, has specific objectives (Kehinde & Abiola, 2001; Brigham & Ehrhardt, 2012).

One major objective of the DP is to fulfil a firm's promise to shareholders to pay back the money they have invested with the aim to make a profit. However, managers' and shareholders' conflicts of interest can reduce these payments. Shareholders may be concerned that managers, who control the firm's resources, have the ability to make decisions in their interest at the expense of investors (Jensen & Meckling, 1976; La Porta et al., 1997). This leads to an increase in the agency's problem, which increases the agency costs. Shareholders consider this a risk and are reluctant to invest much in a firm. The hesitancy of investors to invest in a firm reduces the firm's funds, increases the investment cost and reduces the investment in profitable projects (Jensen & Meckling, 1976). The higher investment cost results in

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lower profitability for firms. Thus, strong monitoring by the corporate governance mechanism is needed to avoid such losses.

The agency's conflicts in the determination of DP stem from the fact that it integrates corporate governance (CG) with the firm's dividend policy. CG is the process that protects shareholder rights by aligning the interests of managers with shareholders, which helps to reduce agency costs (Shleifer & Vishny, 1997; Chen, 2008). Governance mechanisms improve control over managers and encourage them to pay dividends or invest retained money in profitable projects. However, due to weak governance, managers invest funds in unnecessary projects, resulting in overinvestment, or they retain cash for their own interests and avoid potentially profitable opportunities, resulting in underinvestment, which is detrimental to the interests of shareholders as it increases the costs of the agency (Easterbrook, 1984; Jensen, 1986; Dittmar et al., 2003). However, a clear theoretical answer is needed on what governance practices firms choose to store free cash flows or spend them on unnecessary or profitable projects or pay in the form of dividends?

The majority of the existing studies have provided evidence on the relationship between corporate governance structures and dividend policy in the international (La Porta et al., 2000; Mitton, 2004; Charitou et al., 2016) as well as in developed markets' context (Farinha, 2003; Jiraporn & Ning, 2006; Yarram, 2015; Aydin & Cavdar, 2015; Al-Najjar & Kilincarslan, 2016; Kowerski & Wypych, 2016; Brown & Roberts, 2016; Adjaoud & Hermassi, 2017; Berezinets et al., 2017; Duqi et al., 2020). Few have studied developing financial markets (Afzal & Sehrish, 2011; Ajanthan, 2012; Bistrova & Lace, 2012; Abor & Fiador, 2013; Al-Gharaibeh et al., 2013; Lace et al., 2013; Sakr & Youssef, 2017; Bataineh et al., 2018).

The dividend policy's nature, characteristics, and performance in developing financial markets often vary compared to the developed financial markets (Al-Kuwari, 2009). Therefore, this study investigates the impact of corporate governance practices, both strong (ownership of the chief executive officer (CEO): founding CEOs, and independent directors) and weak (board size and CEO who also holds the position of chairman of the board (CEO-Duality)): on DP in the Association of Southeast Asian Nations (ASEAN) markets. These markets are similar in terms of financial structure, institutions and legal situation and contribute more to the global investment strategy. These markets are the fourth largest international trade region (Lim, 2011): and the ASEAN's average annual economic growth rate during the past few decades has been about 5% (Petri et al., 2012).

From 1996 to 2011, Mei-Se et al. (2015) have reported 1.3, 4.3, 2.68, 2.0, and 4.0 times increase in the market capitalization for Malaysia, Indonesia, Thailand, the Philippines, and Singapore, respectively. The Singaporean and Malaysian stock markets had a market capitalization of 137.2% and 128.6% of gross domestic product (GDP) in 2011, respectively, higher than the United States of America (USA) and the United Kingdom (UK): while Indonesia had the lowest share of the market capitalization of 46.1%. This increase in market capitalization has increased the size of these capital markets. Additional factors, such as domestic irregularities, financial liberalization, and the large inflow of foreign investment, have helped stimulate the ASEAN's capital markets. These statistics have shown the importance of these markets in the global economy and have attracted the interest of researchers in the study of these markets.

In addition, dividend policies differ across industries (Gill et al., 2010; Riaz et al., 2016): affecting managers' decisions to pay a dividend or retain corporate profits. The current study focuses on manufacturing firms, as they have many investment opportunities in the future, and therefore, they will have to keep cash for daily operations. Manufacturing firms have a relatively short lifespan in their products and generally face very active competition in the market (Carpenter & Petersen, 2002). Manufacturing firms have to actively allocate resources to new investment projects to maintain their competitive advantage. Thus, these firms have a reason to accumulate money instead of paying dividends to reduce the likelihood of sacrificing good investment opportunities due to a lack of funds in the future (Chen & Chuang, 2009). However, by maintaining the cash level and declining DP, private extraction opportunities are more likely if managers work for personal profits rather than for shareholders. Therefore, a study on the role of CG in relation to dividend policy in manufacturing firms is useful for examining the motives and implications of dividend policy.[1] In addition, unforeseen circumstances, such as the financial crisis, affect dividend policy as changes in financial conditions change the behaviour of investors, policymakers, and managers in firms and investment conditions (Akhtar, 2021). Therefore, the study has also analyzed the impact of CG on DP during the pre- and post-global financial crisis of 2008-2009.

Based on data from 689 firms from 2000 to 2015, the findings show that when the CEO also acts as a chairman (CEO-duality) and the board of directors (BOD) are large in number, firms pay a lower dividend. These results indicate that CEO-duality and large board size preferred to retain funds instead of paying dividends. In emerging markets, these governance practices represent poor monitoring (Akhtar et al., 2021). Thus, they may use excess internal funds to get private benefits, indicating higher agency costs. On the other hand, when insiders' interests are aligned with shareholders by giving them equity ownership (CEO-Ownership) in a firm, the founder acts as a CEO (founder-CEO): and independent directors are large in number, firms pay higher dividends. These governance practices reflect strong monitoring due to their aligned interest with shareholders (Akhtar et al., 2021). These practices play an effective role in controlling and limiting managers' access to waste excess funds by paying dividend.

In sub-sample analyses, the CEO's dual position encourages DP in small firms, showing that the chances of private extractions are lower even for powerful CEOs in these firms. In medium-sized firms, CEO-Ownership, CEO-Duality and independent directors retain the firms' earnings by reducing DP so that these emerging firms can do investment in the future for growth. In large-sized firms, strong as well as weak governance practices have shown the same coefficient signs, as predicted. In addition, the 2008-2009 financial crisis showed significant differences in the impact of the CG on DP before and after the crisis. The founder-CEO and independent directors have a negative impact on the DP before the crisis,

[1] ASEAN's manufacturing sector accounts for 5% of the world's manufacturing industry (in terms of value-added). The manufacturing sector's GDP contribution is 21%, 25% and 33% for Singapore, Malaysia and Thailand, respectively. These figures are higher than other developed countries, for example the United Kingdom, Canada or the United States (the source of the data is ASEAN's Leading Manufacturing Destinations, August 5, 2014, ASEAN Briefing by Matthew Zito, Dezan Shira & Associates).

but the impact is significantly positive after the crisis. However, the CEO-duality positively affects DP before the financial crisis, but the impact is insignificant after the crisis.

The study contributed to the existing literature in several ways. Firstly, the study provides evidence in considering both strong (CEO-Ownership, founder-CEO and independent directors) and weak (CEO-duality and large board size) governance practices (collectively) on dividend payout policies in the context of emerging international economies. Secondly, the study uses data from the manufacturing sector, where the possibilities of manipulating internal funds are greater. Thus, this study provides a better understanding of the policy implication of dividend policy. Thirdly, this study discusses the results before and after the 2008-2009 financial crisis.

Section 2 highlights the literature, followed by the development of hypotheses. The methodology is described in section 3, while empirical findings are presented in section 4. Section 5 concludes the study.

2. Literature Review

In developed financial markets, due to market efficiency and strong rules of law, the dividend policy has a less effective role to play in affecting a firm's capital cost or value (Modigliani & Miller, 1958 and 1961). However, the characteristics of emerging markets favour agency theory, which is due to inefficiency, weak regulations and the conflict of interest between managers and shareholders. The agency theory suggests that resources available to insiders, which is due to reduced DP, can be wasted, leading to damage the corporate wealth (Jensen & Meckling, 1976). This makes the dividend policy very crucial in these markets. Agency costs can be reduced by paying dividends to the shareholders that reduce the free cash flow, which managers can spend on their private welfare (Jensen, 1986; Jensen & Meckling, 1976; Rozeff, 1982; Easterbrook, 1984). One way to motivate managers to pay a dividend is to converge the interests of managers with those of shareholders through corporate governance practices.

This study aims to determine the impact of CG practices, which are useful in aligning the managers' interests with shareholders, and practices leading to greater agency conflicts, on DP. Two contrasting hypotheses are tested, the agency cost hypothesis and the interest alignment hypothesis. The agency cost hypothesis argues that the principal-agent disputes and information asymmetry provide an important explanation of the importance of dividend policy. Managers who control the firm's assets may carry out activities that can damage the value of the firm and harm the shareholders' wealth, thus increasing the agency cost. Conversely, the interest alignment hypothesis suggests a convergence of interests between the principal and the agent. The agency's problems will be reduced if insiders' interests are reconciled with shareholders' interests.

Previous studies suggest that CG introduced a new concept to address what Black (1976) described as dividend policy. The increased power of shareholders through strong governance practices requires managers to pay additional money as dividends to shareholders rather than to keep and use it for their personal well-being (La Porta et al., 2000; Mitton, 2004; Jiraporn & Ning, 2006). As a result, a dividend

policy helps to reduce the discrepancies between the principal and the agent. In addition, the DP is a sign of the firm's increased performance that helps managers raise more funds from the market, increasing the supervision of financial players over firms (Easterbrook 1984).

Studies have shown that CG helps shareholders obtain their profits in the form of dividends. La Porta et al. (2000) reported that firms in countries with a strong common law pay more dividends than firms in countries with strong civil law, where minority shareholders are adversely affected by weak legal protection. In this way, dividends can serve as an instrument to protect investors from entrenched management and large shareholders who have control over the firm. Mitton (2004) showed a direct relationship between the governance score formulated by Credit Lyonnais Securities Asia (CLSA) and DP in a business model in emerging markets. Similar results were reported in the US, with governance scores based on governance standards for institutional shareholder services (Brown & Keller, 2004). Farinha (2003) in the UK documented a positive relationship between Cadbury's "best practice" governance guidelines and compliance with the firm's DP. Shamsabadi et al. (2016) showed that strong corporate governance has a positive impact on DP ratios, as well as on the size and profitability ratios. They also noted the negative impact of the global financial crisis and the financial distress on the dividend distribution rate.

In short, studies suggest that DP reduces the availability of excess liquidity for the insider and protects shareholders from administrative banquets. This indicates the positive impact of CG on DP, which supports the interest alignment hypothesis. However, when CG is weak, the chances of expropriation of corporate assets are higher, and the role of dividends becomes more important. In this case, weak governance practices seek to retain more assets rather than pay dividends, indicating the negative impact of CG on DP, supporting the agency cost hypothesis. The hypotheses are discussed below.

CEO-Ownership: An ideal situation is when managers use investors' funds for their best interest in exchange for a fee (Mensah et al., 2003). The separation between finance and administration refers to the separation between ownership and control (Berle & Means, 1932). In order to maximize the benefits of both managers and the shareholders, the shareholders have to do a lot to align the interests between the two (Jensen & Meckling, 1976). Otherwise, managers will be able to derive personal benefits from investors' money, which causes agency costs.

The selection of managers to adopt a mix of debt financing, equity ownership and DP is intended to reduce agency costs, which can be considered a management benefit (Crutchley & Hansen, 1989). Therefore, the choice of ownership of the share in the corporation may be related to the stake of managers in the firm (Papaioannou et al., 1992). The liquidity of the assets gives owners the advantage of controlling managers, while at the same time, higher liquidity also enables managers to transfer assets in their favour (Myers & Rajan, 1998). Agency disputes arise between managers and shareholders over the separation of control and ownership. Managers' interests can be aligned with that of shareholders by increasing the managerial ownership in the firm to reduce the misuse of cash flow (Jensen, 1986; Jensen & Meckling, 1976, Yu et al., 2015). Otherwise, if the firm does not pay the dividend

and maintains high cash levels, managers can pursue their interests at the expense of shareholders.

Managerial ownership (CEO-Ownership) points out the alignment of interest between investors and managers, and their consequences are usually inspected in governance and agency literature (Chen, 2008). When managers' interests are aligned with those of shareholders, they pay dividends to investors and reduce the freedom of funds to insiders that can be used for their own benefit (La Porta et al., 2000). This indicates that conflicts of interest are less likely to happen between shareholders and managers when managers own the firm's shares, thereby predicting the positive impact of managerial ownership on DP, supporting the interest alignment hypothesis. Based on these arguments, the study predicts that:

H1: *The relationship between managerial ownership and dividend payment is positive.*

Founder-CEO: The founders of firms are CEOs, directors or other executives (Chen & Chuang, 2009). Although the literature on the founder-CEO is somewhat underdeveloped, the famous business press often publishes the successes and failures of prominent and famous CEOs, such as Howard Schultz (Starbucks): Steve Jobs (Apple): Michael Dale (Dell Inc.): Jeffrey Bezos (Amazon.com) and Frederick Smith (FedEx):(Birger, 2006; George, 2008; Abebe & Alvarado, 2013). For example, Jon Birger of Fortune Magazine, who focused on 26 Fortune 500 corporations led by the founder-CEO, wrote that firms headed by the founder-CEO have a strong overall financial performance. In particular, "the shares of these 26 companies produced an average annual return of 18.5% from the end of 1995 to the end of 2005, which is up to seven percentage points higher than the average yield of Fortune 500 over the same period".

These figures indicate that corporate founders have a greater influence on business operations and decision-making. Founder-CEOs have been working with the firm since the beginning and have brought a high level of passion and vision as well as a strong sense of direction for the future. As founders, they are more interested and passionate about long-term planning, growth, and business development. In their investigations into the particular characteristics of the firms, Bahrami and Evans (1987), Fahlenbrach (2004), and Wasserman (2003) argued that founder-CEOs focused on the long-term benefits of firms rather than spending on luxurious perquisites or other personal benefits, indicating a decrease in agency costs. Concerning these views, the study may argue that the interests of the founders and shareholders are similar. Consequently, the founder-CEO of a firm pays higher dividends, supporting the prediction of the interest alignment hypothesis. Therefore, the study predicts that:

H2: The firms with founder-CEO pay higher dividend payouts.

Independent Directors: Awan and Khan (2012) argued that independent directors do not have or minimum conflicts of interest with shareholders, confirming that independent directors have no intention of obtaining personal profits from the firm. Independent directors help reduce conflict between internal board members and

managers (Wang, 2014). They treat all shareholders equally and are responsible for their accountability, as they are independent of shareholders and firms. The appointment of independent directors aims to develop the firm's strategy and increase the wealth of shareholders (Germain et al., 2014). The purpose of independent directors in firms is to provide a balanced, independent and fair view to make an independent judgment to the board.

The independence effects and the functions of protecting the interests of shareholders through independent directors are important in effecting dividend policies. Independent directors help firms in reducing the expropriation of the firm's assets (Lee & Lee 2009). They monitor the firm's managers and help board members to play their role in providing effective advice on business activities (Chahine & Filatotchev, 2008). Firms having more outside independent directors have reported higher firm performance (Tai, 2015).

Belden et al. (2005) argued that independent directors tend to reduce agency costs in an enterprise because they actually represent shareholders and guarantee their rights in the firm. As a result, the more dividends the firms are willing to pay. Kowalewski et al. (2007) stated that shareholders would prefer to receive dividends if independent directors are members of the board of directors, as they are concerned about how management would decide on their profits. A number of studies have argued that the proportion of independent directors and DP are positively related to each other (Jiraporn et al., 2008; Borokhovich et al., 2005; Bathala & Rao, 1995). La Porta et al. (2000) argued that the DP resulted from effective governance by external independent directors, which reduced the agency's problems related to free cash flow. Thus, independent directors work in the best interests of shareholders. Therefore, in support of the interest alignment hypothesis, this study predicts that:

H3: The firms with more independent directors pay a higher dividend.

CEO-Duality: The duality of the chief executive officer (CEO) occurs when only one person serves as chairman and the CEO (Amaral-Baptista et al., 2011). Brickley et al. (1997) argued that the board's leadership structure could assess the quality of supervision of the board. Dual CEOs can negatively influence the degree of board decisions (Fama & Jensen, 1983; Jensen, 1986). The combination of the two functions undermines the board's ability to oversee opportunistic managers (Daily & Dalton, 1992), as BODs are under the control of a CEO. White and Ingrassia (1992) added that an underperforming CEO who pursues his interest at the expense of shareholders could not be removed by the BOD, leading to poor performance. Thus limiting board supervision due to CEO-duality may lead to the lack of detection of managerial opportunism (Goyal & Park, 2002; Lipton & Lorsch, 1992). Thus, boards led by CEOs with dual positions are ineffective in controlling the discretionary management power over a firm's resources, such as DP, leading to higher agency conflicts (Kyereboah-Coleman & Biekpe, 2005; Boubaker & Nguyen, 2015).

A single individual responsible for monitoring his own actions is harmful to the firm (Amaral-Baptista et al., 2011). The dual CEO reduces the firm's voluntary disclosures that harm the disclosure policy and supports the agency cost hypothesis (Gul & Leung, 2004; Brockmann et al., 2004). Therefore, the possible implication is that by uniting the chairman and CEO roles, managers try to retain considerable sums

of excess cash for their personal welfare at the shareholders' cost instead of paying dividends. Therefore, supporting the agency cost hypothesis, the current study predicts that:

H4: The firms with CEO-Duality pay lower dividend payments.

Board Size: The board of directors (BOD) consists of several individuals, and its main functions are to oversee, supervise and govern the daily business processes (Nor et al., 2014; Ghaffar, 2014). BOD has the right to make a change to the corporation, appoint or dismiss employees, define the firm's objectives, issue shares, determine the profits paid, and other firm activities. Since the BOD has direct access to a wide range of information related to the firm's strategic management, it allows them to verify the accuracy of the information disclosed to shareholders and the management decisions made by the investors.

BOD play a role in disciplining the management and CEOs of firms. The board's control over the senior management helps protect shareholders' interests by effectively monitoring the firm's performance (Hermalin & Weisbach, 1991; Linck et al., 2008). Thus, if the board fulfils its responsibilities, it will create shareholder value. However, corporate control empowers entrenched managers (BOD) to transfer assets in their favour (Myers & Rajan, 1998).

John and Senbet (1998) argued that an increase in the board size would lead to inefficient directors' performance due to poor communication and time consumption in making decisions. Smaller boards make better decisions as they work more effectively in the firm (Yermack, 1996). But when more people are involved, it leads to slow and inefficient decision-making (Lee & Lee, 2009). Large boards can sometimes be inactive and may not help reduce agency disputes between shareholders and managers. As a result, the tight hold on managers is reduced, and they will be able to hold a large amount of funds for their own benefits (AL-Dhamari & Ismail, 2014): thus reducing DP. The following hypothesis is developed from this evidence in support of the agency cost hypothesis:

H5: The firms with larger board size pay a lower dividend.

3. Methodology

3.1 Sample

Initially, the study targeted all firms listed on ASEAN-5 stock markets, including Malaysia, Singapore, Indonesia, Thailand, and the Philippines. The study used Thomson Reuters' database to filter the list of manufacturing firms and collect financial data. Corporate governance data has been extracted from corporate annual reports. Firms having detailed data for the variables under consideration during the period 2000-2015 are included. The study selects the year 2000 as the start year because these markets were affected by the financial crisis of 1997-1998. However, the lack of corporate governance and financial data as well as the absence of annual reports in English reduced the sample size to 689 firms (out of 958 firms). The study

uses balanced panel data having 11,024 firm-year observations.[2] The financial data, which is used to calculate dependent variables, two of the independent variables (market to book ratio and Tobin's Q) and control variables, are winsorized in percentiles 1 and 99 to eliminate the outlier effect (Dittmar et al., 2003; Ammann et al., 2011).

3.2 Descriptive Statistics

Table 1 summarizes the descriptive statistics. The dividend to equity (DP-E) averages are higher than other ratios. The average value of DP-E is higher for Thailand (5.6%): followed by Singapore (3.8%): showing that a small percentage of profits are paid in the form of a dividend to shareholders. The average values of DP are lower compared to 7.9% reported by Abdullah et al. (2014) for a sample of Malaysian firms.

Table 1 Descriptive Statistics

	Malaysia		*Singapore*		*Thailand*		*Indonesia*		*Philippines*	
Variable	***Mean***	***Std. Dev.***	***Mean***	***Std. Dev.***	***Mean***	***Std. Dev.***	***Mean***	***Std. Dev.***	***Mean***	***Std. Dev.***
DP-E	0.024	0.042	0.038	0.065	0.056	0.074	0.021	0.051	0.028	0.056
DP-TA	0.015	0.026	0.019	0.032	0.032	0.042	0.013	0.033	0.015	0.033
DP-Sales	0.02	0.04	0.02	0.04	0.03	0.04	0.01	0.03	0.02	0.04
CEO-Own	14.33	17.18	12.99	16.12	7.66	13.39	1.99	8.83	0.38	0.95
Founder-CEO	0.39	0.49	0.39	0.49	0.21	0.41	0.15	0.36	0.19	0.40
Independent Directors	0.44	0.12	0.40	0.15	0.38	0.08	0.38	0.11	0.28	0.12
CEO-Duality	0.26	0.44	0.53	0.50	0.32	0.47	0.30	0.46	0.58	0.49
Log Board Size	1.96	0.24	1.89	0.27	2.30	0.25	1.42	0.35	2.28	0.27
Shareholder Rights-2008	5.00	0.00	5.00	0.00	4.00	0.00	4.00	0.00	4.00	0.00
Creditor Rights-2007	4.00	0.00	4.00	0.00	4.00	0.00	2.00	0.00	4.00	0.00
MTB	5.05	1.14	5.20	1.50	5.65	1.70	6.54	1.63	6.73	1.84
Tobin's Q	1.35	0.61	1.24	0.61	1.34	0.54	1.26	0.57	1.00	0.71
Firm Size	3.41	1.82	3.69	2.17	3.83	1.84	4.01	2.03	3.41	2.64
CFTA	0.10	0.09	0.11	0.11	0.13	0.11	0.13	0.12	0.06	0.09
E-Tax	0.30	0.73	0.24	0.54	0.25	0.61	0.48	0.89	0.15	0.38
NWC	0.08	0.15	0.05	0.09	0.06	0.11	0.07	0.15	0.03	0.09
Leverage	5.56	291.34	0.23	0.91	1.00	0.68	1.03	0.86	2.27	16.80
Cap-Exp.	5.48	17.27	18.40	48.56	9.66	25.05	13.05	34.70	24.46	60.92
Retained Earning	0.73	3.74	3.86	68.25	1.74	56.83	2.54	43.48	1.49	4.46

Values for CEO-Ownership (14.33% and 12.99% for Malaysian and Singaporean firms, respectively) show that managers in these markets hold the largest share ownership while the Philippines has the least (0.38%). In Malaysia and Singapore, the founders of most firms hold CEO positions with a founder-CEO value

[2] Sample firms contain 285 firms from Malaysia, 220 from Indonesia, 97 from Singapore, 67 from Thailand and 20 from the Philippines.

of 3.9% in each market. The proportion of independent directors is highest for Malaysia (44%): while for the Philippines, it is least (28%). The lower ratios of independent directors and managerial share ownership for the Philippines might be due to a small number of firms. The data shows that most of the CEOs of firms in Singapore and the Philippines hold the chairman's positions.

The shareholder rights index and creditor rights index figures show that these countries have strong external monitoring.[3] The market to book (MTB) ratio values are in a similar range for Malaysia, Singapore, and Thailand. At the same time, it is higher for Indonesia and the Philippines, suggesting that the market values of the shares are higher in these markets.

3.3 Empirical Model

The regression equation (Eq. 1) is used to check the impact of CG on DP ratios. Strong and weak governance attributes are added to the model based on Opler et al.'s (1999) study.

$$\begin{aligned} DP_{i,t} = \beta_0 &+ \beta_1 CEOOwn_{i,t} + \beta_2 FounderCEO_{i,t} + \beta_3 BI_{i,t} \\ &+ \beta_4 CEO\ duality_{i,t} + \beta_5 BS_{i,t} + \beta_6 SHR_{i,t} + \beta_7 CR_{i,t} \\ &+ \beta_8 MTB_{i,t} + \beta_9 TobinsQ_{i,t} + \beta_{10} FS_{\ it} + \beta_{11} CF\ TA_{i,t} \\ &+ \beta_{12} NWC_{i,t} \\ &+ \beta_{13}\ Lev_{i,t} + \beta_{14} RD_{i,t} + \beta_{15} CapExp_{i,t} + \beta_{16} RE_{i,t} \\ &+ \ Year\ Dummies + e_{i,t} \end{aligned} \tag{1}$$

In a generalized method of moment (GMM): which is our basic model, the potential endogeneity and unobserved firm heterogeneity can be controlled. The dividend payments (DP) is the main variable of interest. The first-difference GMM estimation is employed to investigate the impact of CG on DP, in which year dummies are used to overcome the various macroeconomic and cyclical effects. In this study, the lagged DP is used as an endogenous variable, and an instrumental variable is used in the model (Ozkan & Ozkan, 2004; Chen, 2008). The independent variables, by taking the second lag, are used as endogenous variables. Finally, the lags of the endogenous variables are applied as instruments. The operationalization of the variables is presented in Appendix part 1.

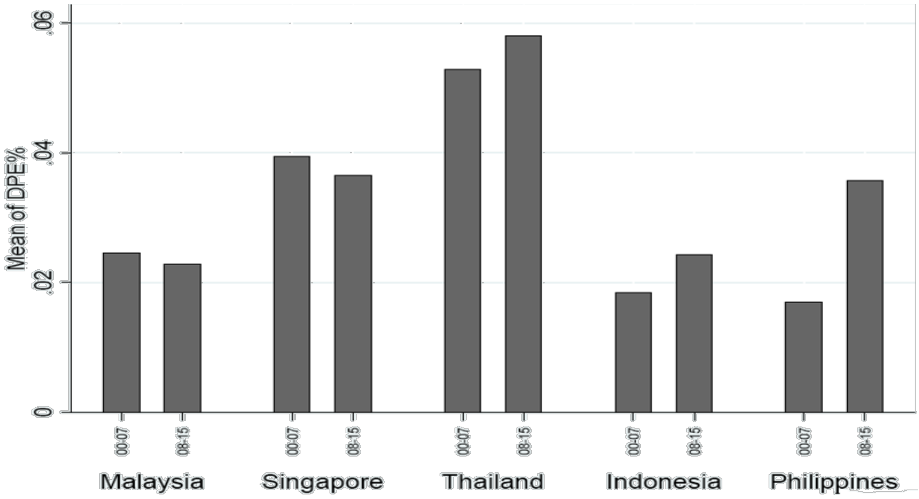
Figure 1 shows the average DP ratios across countries before (2000-2007) and after (2008-2015) the 2008-2009 financial crisis. In Malaysia and Singapore, ratios declined at a marginal rate, while the average DP ratios increased in Thailand, Indonesia, and the Philippines. The increase or decrease in the DP since 2009 is due to the financial crisis of 2008-2009.[4] Compared to Malaysia and Singapore, the DP

[3] The modified/updated shareholder right and creditor right indices are used in the study (Djankov et al., 2007; Djankov et al., 2008; Akhtar et al., 2021b).

[4] Since the Great Depression, the 2008 financial crisis has been the largest crisis that began in the United States with the high-risk mortgage crisis in 2007. Developed and emerging financial markets were severely affected in September 2008, which had a significant negative impact on the economy (Swagel, 2009; Brunnermeier, 2009). On October 9, 2007, the U.S. stock market dropped by 53.78% on March 9, 2009 (Al-Rjoub & Azzam, 2012). The crisis has also affected the major Asian stock markets.

ratios have been higher for Thailand, Indonesia and the Philippines since 2008. These findings have shown that the crisis affected relatively well-placed economies. The mean ratio for Malaysia fell from almost 4% in 2007 to 2.5% in 2015 and for Singapore from 5% in 2007 to 2.5% in 2015. Due to costly external financing, firms in Malaysia and Singapore began to keep more cash instead of paying dividends. However, firms in Thailand, Indonesia and the Philippines have increased paying dividends to increase external supervision through the capital markets, as DP allow managers to raise more funds from capital markets (Easterbrook, 1984).

Figure 1 The Average Dividend Payments Ratios across ASEAN Countries before and after the 2008-2009 Financial Crisis



4. Empirical Results

The results of the GMM analysis are presented in Table 2. The coefficients for CEO-Ownership are significantly positive in columns 1, 2 and 3, indicating that CEOs who also own shares support the well-intentioned behaviour of management due to their aligned interest with shareholders and, as a result, force firms to pay dividends. In terms of economic significance, the results in Column 2 show that firms with CEO-Ownership pay 2.9% more dividends than their counterparts. The results confirm H1 that higher dividends are favoured by managerial ownership and are compatible with the alignment of interest hypothesis (Jensen & Meckling, 1976; Morck et al., 1988; McConnell & Serveas, 1990). Conflicts of interest between managers and shareholders will be reduced if the managers own the firm shares, and as a result, shareholders are less concerned about wasting corporate funds (Opler et al., 1999; Chen & Chuang, 2009; Yu et al., 2015) because firms use these funds to pay dividends.

The coefficients on the founder-CEO are significantly and positively related to DP ratios, indicating that firms with founder-CEO pay higher dividends than those whose CEO is not a founder, thereby validating H2. In terms of economic

significance, the results in Column 1 suggest that firms whose CEOs are also founders pay 3.6% more dividends than firms whose CEOs are non-founders. The findings are consistent with the interest alignment hypothesis that higher percentages of founder-CEO result in lower agency costs and chances for mutualizing internal resources for expropriation motives by increasing dividends (Fahlenbrach, 2004; Wasserman, 2003).

Independent directors have a significantly positive relationship with the DP. These findings suggest that independent directors effectively control management opportunism and pressure managers to pay a dividend instead of retained income, validating H3 interest alignment scenario predictions. In terms of economic significance, one unit increase in independent directors increases the DP to 2.9% (coefficient value in Column 1) for firms. Independent directors limit the majority shareholders' and entrenched managers' freedom, thereby controlling the risk of expropriation of internal resources. Thus, with regard to corporate dividend policy, the independent board of directors are effective, and the propensity to pay dividends by an independent board is related to lower agency costs (Belden et al., 2005; Jiraporn et al., 2008; Borokhovich et al., 2005). Overall, the results are consistent with Adjaoud and Ben-Amar (2010): who have found that firms with better governance quality pay out more dividends. Thus, a strong governance mechanism helps firms to minimize agency conflicts by using dividend payouts.

Conversely, the CEO-duality in columns 1 and 3 has a significantly negative relationship with DP ratios. The results suggest that firms with dual CEOs pay significantly fewer dividends than firms with the separation of CEO and chairman. The coefficient in Column 3 shows that the DP rate is 1.6% lower when the CEO also holds the position of chairman of the board than if two different persons hold separate positions. Thus, a single individual's joint role as chairman and CEO reduces monitoring and DP, which is consistent with H4. This finding confirms the arguments reported by Olper et al. (1999) that stricter controls by managers could encourage them to protect their own interests by cutting dividends at the shareholder's expense. Consistent with the agency theory, the position of dual CEOs influences BOD, leading to expropriation by managers, especially for firms with concentrated control structures (Boubaker & Nguyen, 2015).

The coefficients for the board size are significantly negative, signifying that firms those are having larger board size pay less dividends in ASEAN firms. In terms of economic significance, a 1% increase in the proportion of BOD decreases dividend ratios by an average of 1.9%. The results are in line with the argument that larger boards are linked to higher problems of inefficiency and coordination, which represents poor governance (Yermack, 1996): specifying weak monitoring (Yermack, 1996; Core et al., 1999). For this reason, the negative board size coefficient seems to be associated with a huge agency problem. This result leads to accepting H5, assuming that larger boards do not deliver effective monitoring over management DP.

This study notes a lack of a significant relationship between the country-level monitoring, including shareholder and creditor rights, and DP. The firm's performance measures show that the market to book (MTB) ratio is significantly and negatively, while Tobin's Q appears to be significantly and positively associated with

the dividend payout ratios at a 1% level. Miller and Rock (1985) and Jensen et al. (1992) also reported a positive association between profitability measures and DP.

Table 2 The Impact of Corporate Governance on Dividend Payments

	Column 1	*Column 2*	*Column 3*	*Column 4*	*Column 5*	*Column 6*
	DP-E	***DP-TA***	***DP-Sales***	***DP-E***	***DP-TA***	***DP-Sales***
L.DP-E	0.077***			0.078***		
	(0.005)			(0.004)		
L.DP-TA		0.176***			0.173***	
		(0.007)			(0.006)	
L.DP-Sales			0.154***			0.128***
			(0.006)			(0.006)
CEO-Own	0.001***	0.029***	0.000	0.001***	0.020***	-0.110
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Founder-CEO	0.036***	0.021***	0.009***	0.034***	0.021***	0.001
	(0.006)	(0.002)	(0.003)	(0.004)	(0.002)	(0.002)
Independent Directors	0.029***	0.013***	0.005*	0.031***	0.018***	0.010***
	(0.005)	(0.003)	(0.003)	(0.003)	(0.001)	(0.002)
CEO-Duality	-0.005**	0.001	-0.016***	0.003	0.001	-0.014***
	(0.002)	(0.001)	(0.002)	(0.002)	(0.001)	(0.002)
Log Board Size	-0.019***	-0.012***	-0.012***	-0.021***	-0.010***	-0.014***
	(0.005)	(0.002)	(0.003)	(0.003)	(0.002)	(0.002)
Shareholder Rights-2008	0.001	0.002	0.001	0.000	0.001	0.002
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Creditor Rights-2007	0.003	0.023	0.001	0.001	0.000	0.020
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
MTB	-0.004***	-0.001***	-0.003***	-0.004***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Tobin's Q	-0.016***	0.005***	0.016***	-0.015***	0.005***	0.015***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)	(0.001)
Firm Size	0.009***	0.002***	0.006***	0.008***	0.002***	0.007***
	(0.001)	(0.000)	(0.001)	(0.001)	(0.000)	(0.000)
CFTA	0.128***	0.069***	0.070***	0.129***	0.069***	0.077***
	(0.005)	(0.003)	(0.003)	(0.004)	(0.002)	(0.003)
E-Tax	-0.002***	-0.001***	-0.001***	-0.001***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
NWC	0.036***	0.011***	0.025***	0.038***	0.013***	0.028***
	(0.004)	(0.002)	(0.002)	(0.003)	(0.001)	(0.002)
Leverage	0.008**	0.000	0.004***	-0.040**	-0.024***	0.004***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Cap-Exp.	-0.0013***	-0.002***	-0.004***	0.021***	0.002***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Retained Earning	-0.009***	-0.004***	-0.0045***	-0.018***	-0.023***	0.001***-
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Sales-Growth				-0.012*	-0.000***	-0.010***
				(0.000)	(0.000)	(0.000)
Number of Groups	552	552	552	552	552	552
Observations	6,075	6,073	6,009	6,075	6,073	6,009
F Statistics	63.986	92.952	82.615	108.387	135.807	119.857
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Sargan Test	0.130	0.211	0.157	0.011	0.101	0.012
Hansen Test	0.281	0.323	0.117	0.388	0.401	0.196
AR (2)	0.253	0.105	0.184	0.056	0.106	0.165

Notes: The asterisk on each coefficient value represents the significance level; * p<0.1; ** p<0.05; *** p<0.01. The values in each parenthesis show the standard error. All regressions include year fixed effects. The higher values of Sargan, Hansen and AR(2) tests confirm the validity of the instruments used, the accuracy of the models and the lack of second-order serial correlation in the models, respectively. Variables explanation is provided in Appendix part 1.

In addition, the results of the study show a positive impact of firm size on the DP, which is consistent with Holder et al. (1998) and Fama and French (2001). Since access to external finance is easy for these firms, large firms are more likely to finance profitable projects and may rely less on internal funds. This indicates that these firms pay more dividends to their shareholders than small firms. The study found a positive impact of cash flows (CF) on DP (Jensen, 1986). The results indicate that firms maintaining a higher level of liquidity surplus are associated with higher agency costs, and to reduce these costs, these firms pay higher dividends. The effective tax rate (E-Tax) is significantly and negatively related to DP, as tax-paying firms use their money to pay taxes and, as a result, reduce DP. The coefficients on net-working capital (NWC) are significantly positive at the 1% level. These results are consistent with the argument that NWC is considered the cash alternative (Bigelli & Sanchez-Vidal, 2012). Therefore, firms with higher NWC pay more dividends instead of retaining funds. Negative signs on the coefficients of capital expenditure (Cap-Exp.) indicate that firms involved in higher investments need more funds to invest. By reducing the DP to shareholders, managers of these firms use funds to invest in profitable projects, indicating lower agency costs (Jani et al., 2004). Additional tests are run by including sales-growth in equation 1. The results with the predicted coefficients remain the same and are reported in columns 4, 5 and 6 of Table 2.

4.1 Sub-Sample Analyses: Small, Medium and Large Sized Firms

The study divided the sample into small, medium and large firms by classifying them from the highest to the lowest total assets. The findings are reported in Table 3. In ***small-sized firms***, most variables showed the same coefficient signs as expected. CEO-Ownership, founder-CEO, and independent directors positively impact DP ratios. In contrast, the coefficient sign on the size of the BOD in small firms is significantly negative. The only exception is the CEO-Duality, which became significantly positive, confirming the argument that small-sized firms have relatively simple governance mechanisms (Cowing, 2003) and consequently, the chances of managerial opportunism are reduced.

In ***medium-sized firms***, the founder-CEO is insignificant. However, CEO-Ownership, independent directors, and CEO-Duality have significant negative coefficients. These results indicate that businesses, which are at a stage of growth, need funds to grow by availing opportunities in the future. The results are consistent with Bistrova and Lace (2012). Strong governance practices discourage DP from assisting firms in managing funds for potential future investments. John and Knyazeva's (2006) arguments supported our conclusions that well-managed firms have lower dividend margins because they have fewer conflicts. In ***large-sized firms***, CEO-Ownership, founder-CEO and board independence have significant positive coefficients. However, CEO-Duality and board size have a significant negative impact on DP.

Table 3 The Impact of Corporate Governance on Dividend Payments. Evidence from Small, Medium and Large-Sized Firms

	SMALL			*MEDIUM*			*LARGE*		
	Col-1 DP-E	***Col-2 DP-TA***	***Col-3 DP-Sales***	***Col-4 DP-E***	***Col-5 DP-TA***	***Col-6 DP-Sales***	***Col-7 DP-E***	***Col-8 DP-TA***	***Col-9 DP-Sales***
L.DP-E	-0.098***			-0.014***			-0.107***		
	-(0.005)			(0.001)			-(0.002)		
L.DP-TA		-0.090***			0.029***			-0.061***	
		-(0.004)			(0.001)			-(0.003)	
L.DP-Sales			-0.090***			0.038***			-0.062***
			(0.007)			-(0.002)			(0.002)
CEO-Own	0.0017***	0.0041***	0.0001	-0.0005*	-0.0013***	-0.0022***	0.0048***	0.001***	0.0001***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Founder-CEO	0.044***	0.027***	0.039***	0.006	0.0014	-0.013	0.018***	0.010***	0.005***
	(0.005)	-(0.003)	(0.003)	(0.002)	-(0.001)	-(0.001)	-(0.002)	-(0.001)	(0.001)
Independent Directors	0.028***	0.007***	0.020***	-0.068***	-0.033***	-0.066***	0.015***	0.011***	0.016***
	(0.003)	-(0.002)	(0.003)	-(0.003)	(0.001)	-(0.002)	-(0.003)	(0.001)	-(0.001)
CEO-Duality	0.018***	0.014***	0.017***	-0.037***	-0.012***	-0.007***	-0.028***	-0.009***	-0.017***
	-(0.003)	(0.002)	(0.001)	-(0.001)	(0.00)	(0.00)	-(0.001)	-(0.001)	(0.00)
Log Board Size	-0.010***	-0.006***	-0.010***	0.012***	0.008***	0.004***	-0.070***	-0.021***	-0.047***
	(0.003)	(0.002)	-(0.002)	-(0.001)	(0.001)	(0.001)	-(0.003)	(0.001)	-(0.001)
Shareholder Rights-2008	0.005	0.000	0.003	0.007	0.00	0.002	0.021	0.004	0.007
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Creditor Rights-2007	0.001	0.021	0.005	0.001	0.007	0.004	0.004	0.007	0.003
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
MTB	-0.005***	-0.002***	0.003***	0.001***	0.001***	0.000***	-0.002***	-0.001***	-0.001***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Tobin's Q	-0.014***	-0.008***	0.003***	-0.008***	0.009***	0.020***	-0.062***	0.052	0.008***
	(0.001)	(0.001)	-(0.001)	-(0.001)	(0.00)	(0.00)	-(0.001)	(0.00)	(0.00)
Firm Size	0.001***	0.002***	0.004***	0.008***	0.00	-0.001***	0.008***	0.002	0.004***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
CFTA	0.071***	0.047***	0.037***	0.189***	0.097***	0.079***	0.172***	0.088***	0.089***
	(0.002)	(0.001)	(0.001)	(0.003)	-(0.001)	-(0.001)	(0.002)	(0.001)	-(0.001)
E-Tax	-0.0002*	0.0002***	-0.000***	-0.002***	-0.001***	-0.003***	-0.000***	-0.001***	-0.001***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
NWC	0.015***	0.009***	-0.006***	0.027***	0.001*	0.019***	-0.017***	-0.032***	-0.112***
	(0.002)	(0.001)	(0.002)	(0.001)	(0.00)	-(0.001)	(0.005)	-(0.003)	-(0.004)
Leverage	0.001	0.0004	0.007***	-0.001***	0.00	0.002***	-0.006***	0.001***	0.001***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Cap-Exp.	0.0007***	0.0008	0.00014***	0.00032***	0.00029***	0.00024***	0.00047***	-0.0011***	-0.0011***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Retained Earning	0.00016***	0.00014**	0.00021***	-0.00023***	-0.00016***	-0.00028***	0.00067***	0.00038***	0.00058***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Number of Groups	205	205	196	363	363	360	300	300	300
Observations	1,167	1,164	1,143	2,354	2,356	2,333	2,554	2,553	2,533
F Statistics	51.427	12.527	59.72	92.768	20.808	20.080	45.181	86.661	32.156
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
AR(2)	0.241	0.114	0.541	0.124	0.122	0.341	0.121	0.110	0.184
Sargan Test	0.113	0.241	0.232	0.187	0.167	0.273	0.132	0.135	0.013
Hansen Test	0.860	0.939	0.063	0.910	0.897	0.433	0.125	0.000	0.100

Notes: The asterisk on each coefficient value represents the significance level; * p<0.1; ** p<0.05; *** p<0.01. The values in each parenthesis show the standard error. All regressions include year fixed effects. The higher values of Sargan, Hansen and AR(2) tests confirm the validity of the instruments used, the accuracy of the models and the lack of second-order serial correlation in the models, respectively. Variables explanation is provided in Appendix part 1.

4.2 Before and After the 2008-09 Financial Crisis

Table 4 shows the impact of CG on DP before and after the 2008-2009 financial crisis. Following Elyasiani et al. (2020): the sample firms are divided into the pre-crisis period (2000 to 2007) and the post-crisis period (2008 to 2015). CEO-Ownership's impact on DP is significantly negative before the crisis, while it is insignificant after the 2008-09 financial crisis. Founder-CEO and independent directors have a negative and significant impact on DP before the crisis, but the impact is significantly positive after the crisis. These results indicate that strong governance practices encourage DP after the 2008-09 financial crisis. However, among weak governance practices, the effect of CEO-duality is positive before the 2008-09 financial crisis but insignificant after the crisis. Board size significantly and negatively affects DP before and after the 2008-2009 financial crisis. These results confirm the strong negative role of board size in limiting the DP.

5. Conclusions

The study examined the impact of CG on the decision to pay dividends to a sample of 689 manufacturing firms from ASEAN-5. The study categorized CG as strong and weak practices and checked their impact on DP in relevance to agency costs and interest alignment hypotheses.

The study concludes that firms with strong governance practices, including CEOs having equity share ownership, founders having CEO positions, and independent directors pay higher dividends. These governance practices reduce the free cash flows at entrenched managers' hands by paying higher dividends to the shareholders to reduce personal benefits. Therefore, shareholders and managers are recommended to increase the equity ownership of managers, the number of independent directors and the founders' CEO positions so that the interests of managers can be aligned with shareholders. On the other hand, the literature supports the implication that CEOs' dual positions and bigger board size are harmful to the firm. This study supports the agency cost hypothesis by providing evidence that the CEO's dual position and larger board size represent entrenched behaviours and discourage dividends in firms.

When firms are divided into small, medium and large sizes, the study found that the dual position of the CEOs favours DP. Due to their small size, these firms have simple governance mechanisms and limited funds, so the possibilities of private extraction are less. Therefore, there are fewer opportunities for CEOs to misuse resources. In medium-sized firms, strong governance practices lower the DP. These firms are in a growing phase, and the chances of potential opportunities are higher. Thus, these firms have a reason to reduce dividends so that they can retain funds to invest in the future. In larger firms, the chances of private extraction are higher, and CEOs having dual positions and larger board size try to retain firm assets so that they can maximize their own personal utility.

The study also found that significance levels and direction of the relationships between CG and DP differ before and after the 2008-2009 financial crisis. After the crisis, the study found a less effective role of managerial ownership and CEO-duality. However, the relationship of founder-CEOs and independent directors with DP changes significantly as these governance attributes feel the need to pay dividends in order to raise more funds from the capital markets. Besides, the study

provides solid evidence that the larger board size is harmful to firms. The summary of findings is presented in Table 5.

Table 4 The Impact of Corporate Governance on Dividend Payments. Before and after the Financial Crisis 2008-09

	Before FC			*After-FC*		
	Col-1 DP-E	***Col-2 DP-TA***	***Col-3 DP-Sales***	***Col-4 DP-E***	***Col-5 DP-TA***	***Col-6 DP-Sales***
L.DP-E	0.008			0.082***		
	(0.018)			(0.013)		
L.DP-TA		0.082***			0.190***	
		(0.021)			(0.019)	
L.DP-Sales			0.133***			0.150***
			(0.024)			(0.017)
CEO-Own	-0.000	0.000	0.001***	0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Founder-CEO	-0.045**	-0.028***	-0.010	0.071***	0.036***	0.029***
	(0.021)	(0.009)	(0.012)	(0.012)	(0.007)	(0.008)
Independent Directors	-0.093***	-0.011	-0.028*	0.034***	0.018***	0.005
	(0.029)	(0.014)	(0.016)	(0.011)	(0.006)	(0.008)
CEO-Duality	0.002	0.013**	0.022***	0.002	-0.000	0.012
	(0.015)	(0.006)	(0.008)	(0.005)	(0.003)	(0.004)
Log Board Size	-0.074***	-0.020**	0.001	-0.013	-0.011**	-0.022***
	(0.020)	(0.008)	(0.010)	(0.009)	(0.005)	(0.008)
Shareholder Rights-2008	0.000	0.023	0.000	0.000	0.031	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Creditor Rights-2007	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
MTB	-0.011***	-0.001*	0.000	-0.000	0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)	(0.000)
Tobin's Q	-0.029***	-0.000	0.005	0.011***	0.017***	0.029***
	(0.006)	(0.002)	(0.003)	(0.003)	(0.002)	(0.003)
Firm Size	0.014***	0.001	0.005***	0.001	-0.002*	-0.002
	(0.003)	(0.001)	(0.002)	(0.003)	(0.001)	(0.002)
CFTA	0.054***	0.031***	0.049***	0.122***	0.058***	0.042***
	(0.014)	(0.008)	(0.012)	(0.011)	(0.006)	(0.006)
E-Tax	0.003**	0.001	0.001	-0.003***	-0.001**	-0.001
	(0.001)	(0.000)	(0.001)	(0.001)	(0.000)	(0.000)
NWC	0.047***	0.016**	0.035***	-0.032***	-0.025***	-0.024***
	(0.018)	(0.008)	(0.010)	(0.008)	(0.005)	(0.006)
Leverage	-0.003***	0.000	0.004***	-0.000	-0.000**	0.003***
	(0.001)	(0.000)	(0.001)	(0.000)	(0.000)	(0.001)
Cap-Exp.	0.000***	0.000	0.000*	0.000***	0.000*	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Retained Earning	0.012***	0.040*	0.007	0.007	0.003	0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Number of Groups	464.000	464.000	459.000	552.000	552.000	552.000
Observations	2,208	2,208	2,21	3,867	3,865	3,799
F Statistics	7.47657	3.508	5.231	9.886	9.963	9.425
Sargan Test	0.225	0.213	0.428	0.112	0.117	0.228
Hansen Test	0.187	0.275	0.260	0.273	0.132	0.419
AR (2)	0.599	0.865	0.786	0.121	0.010	0.027

Notes: The asterisk on each coefficient value represents the significance level; * p<0.1; ** p<0.05; *** p<0.01. The values in each parenthesis show the standard error. All regressions include year fixed effects. The higher values of Sargan, Hansen and AR(2) tests confirm the validity of the instruments used, the accuracy of the models and the lack of second-order serial correlation in the models, respectively. Variables explanation is provided in Appendix part 1.

Table 5 Summary of Findings

	CEO-Own	*Founder-CEO*	*Board Independence*	*CEO-Duality*	*Board Size*
Hypotheses Predictions	+	+	+	-	-
Main Results	+	+	+	-	-
Small Sized Firms	+	+	+	+	-
Medium Sized Firms	-	-	-	-	+
Large Sized Firms	+	+	+	-	-
Before Financial Crisis	-	-	-	+	-
After Financial Crisis	Insignificant	+	+	Insignificant	-

The study is limited to specific governance and control variables. Future researchers can further explore dividend distribution policies in various organizational settings by incorporating variables such as productivity, firm age, foreign ownership, or even legal origin. Furthermore, consideration of whether investors' long-term or short-term interests would be met by paying dividends or retaining funds for future investment will be a good contribution to the literature.

APPENDIX

1. Variables Operationalization

Dependent variables.			
Variables	***Proxy***	***Calculation***	***Unit Measurement***
Dividend Payment to Total Equity	DP-E	Dividend Payment / Total Equity	Ratio (%)
Dividend Payment to Total Assets	DP-TA	Dividend Payment / Total Assets	Ratio (%)
Dividend Payment to Total Sales	DP-Sales	Dividend Payment / Total Sales	Ratio (%)
Independent variables			
CEO-Ownership	CEO-Own	The ratio of shares held by the CEO and the management of the firm	Ratio (%)
CEO-Duality	CEO-Duality	Dummy variable which equals one if the CEO is performing both the role of chairman of the board and CEO and equals zero otherwise	Dummy variable 0 and 1
Founder-CEO	Founder-CEO	Dummy variable that equals one if a CEO is a founder and zero otherwise	Dummy variable 0 and 1
Log Board Size	BS	The natural log of the number of directors on the board	Natural Log
Independent Directors	ID	Independent directors / total directors ratio	Ratio (%)
Shareholder Rights-2008	SHR	5 represents strong SHR, and 1 represents weak SHR.	Shareholder Rights Index
Creditor Rights-2007	CR	4 represents CR, and 1 represents weak CR.	Creditor Rights Index
Market To Book Ratio	MTB	The market value of equity / the book value of equity	Ratio (%)
Tobin's Q	Tobin's Q	(Book value of total assets - the book value of equity + the market value of equity) / the book value of the assets	Ratio (%)
Control Variables			
Firm Size	FS	Log (the book value of total assets)	Natural Log
Cash-Flow	CFTA	[EBITDA – (interest+ taxes + dividends)] / total assets	Ratio (%)
Effective Tax	E-Tax	Income tax expense / earnings before taxes	Ratio (%)
NWC	NWC	(Current assets net of cash holdings - current liabilities) / total assets	Ratio (%)
Leverage	Leverage	Total debt / total assets	Ratio (%)
Research and Development	RD	Research and development expenses / total sales	Ratio (%)
Capital Expenditures	Cap-Exp.	Capital expenditure / total assets	Ratio (%)
Retained Earning	RE	Current retained earnings + profit/loss – dividends paid	Ratio (%)
Sales-Growth	Sales-Growth	(Current period sales - previous period sales) / previous period sales	Ratio (%)

2. Summary of Hypotheses

Hypotheses	Variables		Supporting Hypotheses
H1	CEO-Ownership	Strong Governance Practices (Akhtar et al., 2021a)	Interest Alignment Hypothesis
H2	Founder-CEO		Interest Alignment Hypothesis
H3	Independent Directors		Interest Alignment Hypothesis
H4	CEO-Duality	Weak Governance Practices (Akhtar et al., 2021a)	Agency Cost Hypothesis
H5	Board Size		Agency Cost Hypothesis

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