OWNERSHIP STRUCTURE, GROWTH OPPORTUNITIES AND DIVIDEND PAYOUT POLICY AMONG FIRMS LISTED IN THE EAST AFRICA COMMUNITY

BY

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DECLARATION

Declaration by Candidate

This project is my original work and has not been presented for a degree in any other university. No part of this project is to be reproduced without the consent of the owner and/or Moi University.

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DEDICATION

This project is dedicated to my wife Sylvia Jepkurui, my son Evan Kipkalya, my parents Mr. Julius Mutai and Mrs. Alice Mutai, who provided me with unwavering financial support and encouragement whenever I felt like giving up. I'll never forget the spiritual and emotional support you gave me throughout the entirety of the master's program.

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ABSTRACT

Dividend payouts are the major source of income for shareholders. Consequently, academics, financial analysts and policy makers have carried out extensive research to establish the factors that influence a firm's dividend payout policy. Though studies have demonstrated that ownership structure affects dividend payout policy, existing empirical literature shows conflicting and inconclusive findings. From this background, this study sought to investigate whether growth opportunities moderate the relationship between ownership structure and dividend payout policy among firms listed in the East Africa Community's stock and securities exchanges. Specifically, the study examined the effect of institutional ownership, managerial ownership, government ownership and foreign ownership on dividend payout policy. The study further assessed the moderating effect of growth opportunities on the relationship between; institutional ownership, managerial ownership, government ownership, foreign ownership and dividend payout policy. The study was grounded on the agency theory and the pecking order theory. The study adopted both the longitudinal and explanatory research design. The study targeted all the 122 listed firms in the East Africa Community partner states between 2011 and 2021. However, after applying an inclusion/exclusion criterion the final sample comprised of 57 firms. The data was secondary in nature and was extracted from the annual financial statements through content analysis. Data was analyzed through descriptive and inferential statistics. The study adopted the hierarchical regression models to test for moderation and the choice between fixed and random effect was based on the results of Hausman test. Based on the regression results, the study found that institutional ownership (β= *-0.1250; ρ< 0.05)*, managerial ownership (β= *-0.4469; ρ< 0.05)*, government ownership (β= *0.6926; ρ< 0.05)* and foreign ownership (β= *0.2440; ρ< 0.05)* had a significant effect of dividend payout policy with an R^2 of 23.33 percent. The study further found that growth opportunities moderated the relationship between institutional ownership (β= *-0.0732; ρ< 0.05)*, managerial ownership (β= *0.1982; ρ< 0.05)*, government ownership (β= *0.1982; ρ< 0.05)*, foreign ownership (β= *-0.2777; ρ< 0.05)* and dividend payout policy with an R^2 of 30.15 percent. The study concluded that the various forms of ownership are key determinants of dividend payout policy among listed firms in the East Africa Community partner states and firms' growth opportunities influence that relationship. The study's conclusions have implications for managers and regulators. First, managers need to understand the varying interests of shareholders when making decisions relating to financing growth opportunities and payment of dividends. Secondly, while developing corporate governance codes for listed firms, regulators should consider the role played by corporate owners as well as firm dynamics such as growth opportunities. The study recommends that future studies should explore the contextual factors that shape the relationship between ownership structure, growth opportunities, and dividend payout policy in the EAC such as legal and regulatory frameworks.

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DEFINITION OF KEY TERMS

Dividend payout policy: is the approach used by a firm in determining the frequency and amount of dividends to paid out to shareholders (Pahi & Yadav, 2019).

Foreign ownership: the percentage of common shares held by foreign investors (Huang & Shiu, 2009).

Government ownership: is the number of shares held by the government divided by the total shares outstanding at year-end (Mamatzakis & Xu, 2021).

Growth opportunities: potential and future investment opportunities of a firm with positive returns (Castro *et al.*, 2016).

Institutional ownership: the number of shares held by institutions at the end of the year divided by the total number of outstanding shares held at the end of the year (Ali & Hashmi, 2018).

Managerial ownership: is the number of shares held by the board and top management divided by the total shares outstanding at year-end (Baik, Kang & Morton, 2010).

Ownership structure: the distribution of shares with regard to votes and capital and by the identity of the shareholders (Sindhu, Hashmi & Ul Haq, 2016).

ABBREVIATIONS

ASE	Australian Securities Exchange
CMA	Capital Markets Authority
CMAC	Capital Markets Advisory Council
CSER	Corporate Social and Environmental Responsibility
DRC	Democratic Republic of the Congo
DSE	Dar es Salaam Stock Exchange
EAC	East Africa Community
FISD	Financial Information Services Division
FTSE	Financial Times Stock Exchange Group
GCC	Gulf Cooperation Council
GEMS	Growth and Enterprise Market Segment
IPO	Initial Public Offer
MENA	Middle East and North Africa
NASDAQ	National Association of Securities Dealers Automated Quotations
NMG	National Media Group
NSE	Nairobi Securities Exchange
NYSE	New York Stock Exchange
PSX	Pakistan Stock Exchange
R&D	Research and Development
REITS	Real Estate Investment Trusts
REM	Real Earnings Management
RSE	Rwanda Stock Exchange
SHSE	Shanghai Stock Exchange
SIIA	Software and Information Industry Association

SOEs	State Owned Enterprises
SZSE	Shenzhen Stock Exchange
TBL	Tanzania Breweries Limited
USE	Uganda Securities Exchange

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter discusses the background of the study, the study's setting, the problem statement, objectives, hypotheses, the significance and the scope of the study.

1.1 Background of the Study

Dividend payout policies pose major issues in corporate finance because dividend payments signify a firm's present performance and potential for future growth (Ali, 2022; Olayiwola & Ajide, 2019; Shehata, 2022). Cash dividends are one of the most significant sources of cash flow for shareholders used to assess the performance of the company. Furthermore, dividends reflect a company's financial health and managers use them to entice potential investors. Dividend payout ratio is a crucial factor in investment decisions since it predicts the firm's growth, future cash flows, risk, and stock returns (Li, 2016; Seth & Mahenthiran, 2022; Zhou & Ruland, 2006).

The main objective of profit making entities is to make profits and maximize shareholders wealth (Graham & Dodd, 1934). However, there seem to be no clear evidence on the determinants of a firm dividend payout policy, turning the whole matter into a "puzzle," as Black (1976) put it, whose pieces do not fit together. Allen, Bernardo and Welch (2000) further note that dividend payout remains one of the trickiest mysteries in corporate finance.

Decisions regarding dividend payouts continue to be a source of concern for corporate managers, researchers, and academics all over the world, in part because no clear, comprehensive explanation has been provided for the precise factors that determine dividend payout, how and why companies pay dividends, and whether this is a

consistent practice. The more closely we examine the dividend picture, the more it resembles a puzzle with unfitting pieces (Black, 1976). Brealey and Myers (2005) assert that dividend policy is one of the ten most challenging unsolved financial economics problems. Chay and Suh (2008), further note that dividend payout policy vary across countries, regulatory regime and tax structure. Al-Malkawi (2007) noted that dividend payment patterns of firms are a cultural phenomenon that are influenced by customs, beliefs, regulations, public perceptions, hysteria, general economic conditions, and many other factors. There cannot be a consistent policy throughout time because these variables are all-dynamic and affect different firms differently.

Although rational investor are motivated to maximize their wealth and achieve the highest possible returns, managers will often strive to maintain profits to fund its long-term growth ((Tayachi *et al.,* 2021). This implies that managers are usually very careful on the dividend payout and retention policies to balance shareholders' trust and the need to finance the company's growth and expansion (Bataineh, 2021).

The question of whether a firm's earnings should be distributed to investors or reinvested in future profitable projects is one that is of utmost importance in the corporate finance world (Stulz, 2001). For this reason, some of the typical forms of dividend payout policies used by firms include regular dividend policy, stable or constant dividend policy, no dividend policy, and irregular dividend policy (Srikumar, 2022).

Dividend policy is at the core of the agency conflict that results from the division of ownership and control (Michael, 2013). According to Jensen (1986), firms with large free cash flows typically have significant agency costs. Free cash flow could influence management to make less-than-ideal investment decisions. Jensen (1986) further

contends that it is preferable to distribute the surplus cash to shareholders as a dividend in order to decrease the chance of this money being wasted on unsuccessful projects and hence restrict cash flows available to management.

Dividend payout policy is also linked to financing decision (Partington, 1985). For instance debt financing subjects managers to intense monitoring by the external capital market, thus managers prefer equity to debt financing because it is not binding, and share capital may appear to be a "free" source of capital (Delcoure, 2007; Al-Malkawi, 2008). Thus, in situations where there is a high degree of conflict of interest between managers and owners, dividend is a strategy employed by owners to circumvent the agency problem (Mirza & Azfa, 2010).

Whilst the majority of publicly traded companies pay dividends, empirical research demonstrates that payment ratios vary widely. Using a sample of 8876 companies drawn from 22 countries over the period between 2000-2014, Ye *et al.*, (2019), found that only 45.6 % of companies were paying dividends and the payout ratio stood at 18.4%. Similarly, Bildik, Fatemi and Fooladi (2015), who studied dividend payout behavior of US firms with those of firms in 32 other countries for the period between 1985–2011, found that the global average payout ratio stood at 36%. According to the survey, was $660.4 billion in total yearly dividend payments, of which $77.4 billion was paid by US-based firms, while the balance $583 billion was paid by firm from other parts of the world. In the same vein, Bildik *et al*., (2015) further reported that the average proportion of companies paying dividends decreased to 56% (2011) from 80% (1985). The author further looked into the dividend paying behavior across the legal systems and found that the common law countries the number of payers fell from 91% to 46%, while for civil law contract countries the number of nonpayers dropped from

80% to 67% over the same period. Using a sample of 517 listed nonfinancial firms operating in Asian countries between the period 2008 and 2017, Athari (2022) reported the average payout ratio in the region stood at 19%. El-Diftar and Elkalla (2019) study in the MENA region countries that covered the period 2007 to 2016 and a total of 798 non-financial listed firms shows that GCC region has an average dividend payout ratio of 35.196% compared with 30.773% in non-GCC country firms.

In the African context, a study by Ofori-Sasu *et al.*, (2022) that considered a sample of 528 banks from 29 African countries over the period between 2006 – 2018 reported that the average dividend payout ratio in Africa is approximately 13.5%. In Tanzania, Lotto (2021) analyzed the dividend distribution pattern of 11 firms listed in Dar es Salaam Stock Exchange for the period between 2009 -2019 and found that the average dividend payout ratio stood at approximately 17%. Using a sample of nine Ethiopian insurance companies over the period between 2012 to 2020, Abebe Zelalem, Ali Abebe and Wodajo Bezabih (2022) reported an average dividend payout of 41.7%. While in Kenya, the estimated dividend payout ratio is estimated at 28% (Aziidah, 2017; Kiarie, 2020). USE (2021) statistics show the average dividend payout ratio among firms listed in Uganda stands at 23.0%. While a study by Mudakikwa Ruhanamirindi (2017) reveal that the average payout ratio in Rwanda is 17.45% .

Given the importance of dividends, extensive study has been conducted to establish the factors that influence a firms dividend payout policy. One of the key components to comprehending a company's dividend payout policy is ownership structure (Kouki & Guizani, 2009; Denis & Osobov, 2008). The ownership structure of a corporation has an impact on its policies, including its dividend payout pattern. The common ownership identities cited in dividend policy literature include institutional ownership, managerial

ownership, government ownership, foreign ownership and family ownership (Farooq *et al.,* 2022; Pinto, Rastogi & Kanoujiya, (2022). Furthermore, family ownership is not common among listed firms across many jurisdictions, in addition individual and employees share ownership is too little to diffuse or corporate policies such as dividend payout (Al-Najjar and Kilincarslan, 2016). For instance, in the UK the degree of individual ownership in UK is 17.7%, while that of institutional investors is roughly 61.2% (Weimer & Pape, 1999).

According to a study by Kouki and Guizani (2009) show that institutional ownership and state ownership significantly affect Tunisia's dividend payment policy negatively. While, Sindhu, Hashmi and Ul Haq (2016), who studied how ownership structure affected the dividend payment ratio of nonfinancial companies, listed on the Karachi Stock Exchange, found that managerial ownership is connected with a decreased propensity to pay dividends. The findings revealed that managers prefer to keep their revenues over dividends because investing in initiatives will yield greater rewards. Conversely, firms with greater institutional ownership tend to give their shareholders bigger dividends. Thus, it is envisaged that the ownership structure and dividend policy would have a significant relationship.

Among the significant investors that make up institutional ownership are insurance companies, banks, pension funds, financial institutions, and investment firms (Koh, 2003). Owing to their considerable ownership share in the investee company, which gives them the ability to influence its policies, institutional ownership is likely to influences a company's dividend payout policy.

According to literature, management ownership can help to lessen agency conflict (Rose, 2005; Rhou & Singal, 2019). This indicates that when the firm places greater

emphasis on increasing managerial ownership, it will better align managers' interests with those of shareholders, which should minimize their tendency to engage in opportunistic behaviors.

Government ownership has a significant impact effect on dividend payout policy. First, the government is still a major owner of large companies, particularly in developing countries. Second, firms controlled by the state have another agency problem, in addition to the manager-shareholder agency problem, namely the conflict of interest between politicians, as controlling shareholders, and the ultimate owners, namely citizens (Shleifer & Vishny, 1997). Additionally, managers of these firms are poorly monitored (Borisova *et al.*, 2012). Third, government owned firms are more accessible to capital, which lessens their dependence on retained earnings. Using data drawn newly privatized multinational firms from 43 countries; Ben-Nasr (2015) found a strong and robust evidence indicating that dividend payout is negatively related to government ownership, consistent with the agency theory. The author noted that the negative effects of government ownership on dividend policy are more pronounced in countries with weak law and order and a lower level of checks and balances.

Foreign investors may be efficient external monitors because of their understanding of developing superior international standards and procedures. Foreign analysts are also more active in these companies when they have foreign ownership, and it is true that they frequently ask the mangers to publicly release their financial policies, which improves monitoring of the top management actions and eliminates the need for a dividend-induced monitoring device (Manos, 2002; Jeon, Lee & Moffett, 2011). However, because of limited empirical literature the impact of foreign ownership on dividend payout policy in developing countries is not well understood. For instance,

Lin and Shiu (2003) explored the effect foreign ownership in Taiwan found that foreign investors prefer to hold shares with low dividend yields. However, Manos (2002) who studied Indian firms India and Jeon *et al*., (2011) who focused on Korean firms found that foreign investors prefer dividend-paying companies and therefore larger foreign ownership leads to distribute more dividends in these markets.

Abor and Bokpin (2010) assert that investment opportunities significantly and negatively affect cash dividends. This implies that firms with rapid growth are more likely to have low dividend payout ratios. In other words, firms that grow quickly are more likely to strive for a low dividend payout ratio since dividends and their growth represent profitable uses of a firm's assets. Amidu and Abor (2006) reported similar results and concluded that high growth firms require more funding to finance growth and, as a result, often retain a larger portion of their revenues by paying less dividends.

Huang and Paul (2017) further suggest that high dividend payout is preferred for firms with low opportunity for growth, whereas low or no dividend payout is preferred for firms with substantial high opportunity for growth. Studies by Al-Najjar and Taylor (2008), Tong, and Ning (2004) also demonstrate a positive association between firms' growth opportunities and ownership, arguing that high-growth firms generate higher capital gains to investors than lower growth firms do.

Studies demonstrate that institutional investors have preferences for companies with growth opportunities. According to a study by Sharma, Hur, and Lee (2008), which looked at the net buying and selling of a stock by institutions and individual investors from 1980 to 2004, institutional investors typically buy glamour stocks and sell value stocks, whereas individual investors typically net buy (sell) value (glamour) stocks. Chiang *et al.*, (2006) looked at how professional investors perceive dividends. The

study's results showed that traditional investors give dividends a lot more weight than growth-oriented investors do. Dividends, on the other hand, are seen by middle-of-the-road investors as a necessary evil to appease the shareholder.

Therefore, this study intends to add to the body of knowledge on ownership structure and dividend payout policy by evaluating whether a firm's growth potential moderates that link.

1.1.1 The East Africa Community

The East African Community is made up of seven countries: Kenya, Tanzania, South Sudan, the Democratic Republic of the Congo (DRC), Rwanda, Burundi, and Uganda, Kenya, Uganda, and Tanzania signed a treaty on July 7, 2000, restoring the original EAC after it split up in 1977. The Democratic Republic of the Congo (DRC) joined most recently in 2022 after South Sudan joined in 2016, Rwanda and Burundi joined in 2007. The community has four active securities/stock exchanges.

Nairobi Securities Exchange (NSE) is the oldest securities exchange within the region and it was originally founded in 1954 as a regional exchange for Kenya, Tanzania (then Tanganyika), Uganda, and Zanzibar. However, after these countries attained independence, the exchange stopped servicing the other countries' securities markets, thus becoming the first Kenya securities exchange. The NSE changes its name from Nairobi Stock market to Nairobi Securities Exchange to allow the listing and trading of debt instruments, which has improved market liquidity.

Presently, NSE operates as a limited liability company. As of December 2020, 62 companies were listed on the Nairobi Securities Exchange. The total market capitalization was Ksh 2,776.9 billion. The exchange has five market tiers: Main investments market segment, alternative investment market segment, Growth and

Enterprise Market Segment (GEMS), and Real Estate Investment Trusts (REITS) fixed income securities market segment.

Uganda Securities Exchange (USE) is the second oldest securities exchange. USE was established under the Ugandan Capital Markets Authority Act (1996), which was enacted to guide the establishment and operations of a stock exchange. Following the enactment of this law, the USE subsequently began operating in 1998, with the East African Development Bank listing a bond that matured in December 2001. The exchange has been trading equities since 2000. Total market capitalization as of December 2020 was UGX. 18,577.94 billion (USE annual report, 2010). As of December 2013, seventeen companies were listed on the Uganda exchange.

The exchange has three segments: fixed income securities market, main investment market segment (for large companies), and alternative investment market segment (for smaller companies). Trading is currently executed via an open outcry system, and trades are settled on a T+5 basis. Recently USE harmonized listing, trading, and settlement rules and procedures with those of the NSE. The three East African exchanges plan to set up an East African central depository system and electronic trading system. Foreign investors in shares traded on the Uganda exchange are not subject to special restrictions, as with the NSE and DSE. Some several statutes and regulations regulate the operations of the Uganda Stock Exchange. The regulatory compliance of the USE is primarily monitored by the Uganda Capital Markets Authority, powers given to the body by the Capital Markets Act (Cap 84).

According to the Ugandan Capital Markets Regulations (1996), the USE is mandated to engage solely in operating a stock exchange. The Capital Markets Authority is the regulator, and its mandate is to ensure transparency of the stock exchange by obtaining

detailed information before registering a stock exchange and continuously being appraised about changes in its operations.

The Dar-es-Salaam securities exchange (DSE) was incorporated in 1996 under the Capital Markets and Securities (CMS) Act of 1994. However, DSE became operational on 15 April 1998, with TOL Gas Limited and Tanzania Breweries Limited (TBL) becoming the first companies to be listed. The Tanzanian government introduced two-year bonds in 1997 and then five- and seven-year bonds in 2002 to lengthen the maturity profile of government debt. Two and five-year bonds were first listed on the DSE in 2002, although only Tanzanian residents can invest in these instruments. As of early 2005, other than the Tanzanian government's bond listings, "corporate" bonds, issued by the East African development bank and BIDCO, were listed on the DSE. In May 2003, the DSE liberalized its restrictions on cross-listings to allow cross-listings by companies based in EAC partners Kenya and Uganda. In 2004 Kenya Airways was the first firm to cross-list on the DSE. In 2006 DSE implemented the automated trading, clearing, settlement, and depository systems developed by Kenya for the EAC region. This should go some way toward improving the Tanzanian exchange's market infrastructure and help increase liquidity. Government securities chiefly dominate Tanzania's small bond market of Tsh 10,533 billion.

In 2015, the Dar-es-Salaam Stock exchange re-registered to become a public limited company. The company changed its name from the Dar-es-Salaam Stock Exchange Limited to the Dar-es-Salaam Stock Exchange Public Limited Company. As of December 2020, the total market capitalization of the DSE was just over Tsh 16445.17 billion (DSE annual report, 2020). As of September 2013, there were thirteen equity listings on the exchange. Currently, DSE has 28 listed firms

Rwanda stock exchange was incorporated in 2005 but officially launched in January 2011. The RSE is operated under the jurisdiction of Rwanda's Capital Market Authority (CMA), established under Law No.23 (2017) and previously known as Capital Markets Advisory Council (CMAC), which was established by the Prime Minister's Order of 28 March 2007 to initially guide the development of a Capital Market in Rwanda.

The stock exchange's doors opened for trading on 31 January 2011. That day coincided with the first day of trading in the stock of Rwanda's only brewery, Bralirwa, which trades as BLR. The RSE replaced Rwanda Over the Counter Exchange that had been in operation since 2008, with two companies listed, namely Kenya Commercial Bank Group (KCB) listed on 18 June 2009 and National Media Group (NMG) listed on 2 November 2010.

Presently, RSE has 10 active firms with a market capitalization of approximately USD 3,627 million (2020). RSE is a member of the African Stock Exchanges Association and operates closely with the NSE, DSE, and USE. There are plans to integrate the four stock exchanges to form a single East African bourse. As of April 2014, the RSE trades five listed local and East African companies and trades three governments and one corporate fixed-income instrument. As of December 2020, RSE had 10 listed firms, where five are cross-listed.

1.2 Statement of the Problem

Dividend distribution contains information on the company's potential earnings and market value. Glen *et al.,* (1995) estimated that the average dividend payout ratio in developing markets ranges from 0.3 to 0.4 while in developed market it ranges from 0.61 to 0.72. In addition to the average global payout ratio of 36%, the variation across regions and nations also point to a decline in the dividend payout ratio (Bildik *et al.,*

2015). For example, the average payout in the United States is 46.0% (Kanojia & Bhatia, 2022), compared to UK's 29.86% (Kilincarslan, 2021), China's 21.7% (Chan, Fan & Song, 2022), France's 16.4% (Ben Salah & Ben Amar, 2022), Bahrain's 54.8 % (Farooq *et al.*, 2022). The average payout in Africa is 13.5% (Ofori-Sasu *et al.*, 2022), Kenya 28%. (Kiarie, 2020), Rwanda 55.59% (Ngoboka & Singirankabo, 2021) and 19% in Tanzania (Lotto, 2020). Muiruri (2023) reports that 28 out of 59 NSE listed companies with ongoing operations did not pay dividends in 2022. Yet, there are wide variations in dividend payout policies among profitable companies. For instance, Safaricom and KCB payout policies are 80% and 50% respectively. Clearly, investors may find the EAC securities less appealing due to the low dividend payout. Maybe that explains why the stock markets in the region have been growing slowly.

Given the significance of dividend payments to a company's value, academics, financial analysts, economists, and policymakers from around the world have shown a keen interest in examining the factors that influence a company's dividend distribution policy (Kaźmierska-Jóźwiak, 2015). Though earlier studies have revealed that ownership structure characteristics have a significant effect on dividend payout policy, the findings are mixed and inconclusive. For instance some studies show have reported positive relationship (Farooq *et al.*, 2022; Jory *et al.*, 2017; Vo & Nguyen, 2014; Setiawan *et al.*, 2016; Musallam & Lin, 2019), some found a negative relationship (Sasan, Mohammad & Hoda, 2011; Mirza & Azfa, 2010; Musallam & Lin, 2019; Farooq *et al.*, 2022) and others reported no relationship (Pinto *et al.*, 2022; Jabeen & Ahmad, 2019). These mixed results are potential for future studies to explore the relationship between ownership structure and dividend payout policy in different contexts as well as moderating variables.

Firms with significant growth potential require additional internal funds to finance viable investment opportunities. As a result, firms with high growth potential may favor low payout, whereas firms with low growth will prefer high payout. In light of this, there is interaction between ownership structure, growth opportunities and dividend payout policy. Therefore, this study sought to examine whether growth opportunities moderate the relationship between ownership structure (Institutional ownership, managerial ownership, government ownership and foreign ownership) and dividend payout policy among firms listed in East Africa Community.

1.3 Objectives

1.3.1 General Objectives

This study aims at investigating the moderating effect of growth opportunities on the relationship between ownership structure and dividend payout policy among firms listed in the EAC.

1.3.2 Specific Objectives

The study was guided by the following specific objectives:

1. To examine the effect of institutional ownership on dividend payout policy among firms listed in the EAC.
2. To evaluate the effect of managerial ownership on dividend payout policy among firms listed in the EAC.
3. To determine the effect of government ownership on dividend payout policy among firms listed in the EAC
4. To establish the effect of foreign ownership on dividend payout policy among firms listed in the EAC.

5. To determine the moderating effect of growth opportunities on the relationship between;
    a. Institutional ownership and dividend payout policy among firms listed in the EAC.
    b. Managerial ownership and dividend payout policy among firms listed in the EAC.
    c. Government ownership and dividend payout policy among firms listed in the EAC.
    d. Foreign ownership and dividend payout policy among firms listed in the EAC.

1.4 Research Hypothesis

H_{01}. Institutional ownership has no significant effect on dividend payout policy among firms listed in the EAC.

H_{02}. Managerial ownership has no significant effect on dividend payout among firms listed in the EAC.

H_{03}. Government ownership has no significant effect on dividend payout policy among firms listed in the EAC.

H_{04}. Foreign ownership has no significant effect on dividend payout policy among firms listed in the EAC.

H_{05}. Growth opportunities does not moderate the relationship between;

a. Institutional ownership and dividend payout policy among firms listed in the East EAC.
b. Managerial ownership and dividend payout policy among firms listed in the EAC.

c. Government ownership and dividend payout policy among firms listed in the EAC.
d. Foreign ownership and dividend payout policy among firms listed in East the EAC.

1.5 Significance of the Study

The study's findings may help a variety of stakeholders comprehend the dynamics of the relationship between ownership structure, growth opportunities and dividend payout policy.

First, this study may help investors in choosing the best stocks. If dividends are crucial, investors should put their money into firms where the various types of ownership have a positive influence on the payout.

Second, by monitoring the patterns of dividend payments with diverse ownerships, managers utilize the study's findings in planning the dividend payouts for their firms. Financial analysts and portfolio managers may also use the study's recommendations in predicting a company's dividend behavior based on ownership structure and growth opportunities.

Third, this study may add new literature to the academia on the moderating role of growth opportunities on the relationship between ownership structure and dividend payout policy, a gap that is missing in the existing. Furthermore, this study may be done in a developing region; thus, the findings may help generalize those of earlier studies that predominantly focused on developed regions.

Fourth, the results of this study may be used by policymakers to reinforce dividend policy by ensuring an optimal firm's ownership structure, which in turn indirectly lowers the agency problem among listed firms in the EAC.

1.6 Scope of the Study

The study focused on all listed firms in the East Africa Community. The study's population comprised of 122 firms listed in four EAC Securities/stock Exchanges: Nairobi Securities Exchange (NSE), Uganda Securities Exchange (USE), Dar es Salaam Stock Exchange (DSE), and Rwanda Stock Exchange (RSE). The study period was between 2011 -2021, the study period was ideal for several reasons. First, the Rwanda Stock Exchange opened its doors in January 2011. Second, the Nairobi Securities Exchange Limited was established in 2011 to support trading, clearing, and settlement of equity, debt, derivatives, futures and Real Estate Investment Trusts. The FTSE NSE Kenya 15 and FTSE NSE Kenya 25 Indices were introduced in November 2011. The Nairobi Securities Exchange joined the Software and Information Industry Association's (SIIA) and the Financial Information Services Division (FISD) in 2012. Third, the Uganda Securities Exchange implemented the electronic trading system for the Settlement and Clearing Depository in 2010. Finally, the study period offers sufficient time for the EAC's stock/securities market recovery following the Global Financial Crisis of 2008.

CHAPTER TWO

LITERATURE REVIEW

2.0 Overview

This chapter reviews the research variables and underlying theories. The chapter further looks into the existing empirical literature and concludes by presenting a conceptual framework.

2.1 Concepts

2.1.1 Concept of dividend payout policy

Erkan, Fainshmidt and Judge (2016) defines dividend policy "as the set of guidelines a company uses to decide how much of its financial resources it will payout to shareholders, when it is not required by law." While, Ho and Robinson (1994) views dividend policy as "as a rule that completely determines the payments to be made to the holders of the firm's common shares at any point in time." On the other hand, dividend payout refers to cash dividends divided by earnings available for shareholders (Fenn & Liang, 2001; Akhigbe & Whyte, 2012).

The dividend is the proportion of profits distributed to shareholders as dividends by a firm (Pinto *et al.,* 2019). The terms "dividend payout policy" and "payout ratio" are also occasionally used interchangeably. Dividend payout policy is the process of determining the percentage of profits to be distributed amongst shareholders. Therefore, in this study dividend payout policy refers to the strategy, which dictates the amount of dividends paid out by a company to its shareholders and the frequency with which the dividends are distributed.

The goal of management, according to financial management literature, is to create value for stockholders, specifically to maximize shareholder wealth (Jensen, 2001).

There is a lot of disagreement about whether dividend policy contributes to accomplishing this objective despite substantial theoretical analysis and practical investigation. Firms distribute cash to their shareholders through cash dividends, fully paid bonus shares and share repurchases (Baker & Kapoor, 2015). In the United States, for example, DeAngelo *et al*., (2004) found that companies rarely issue specially designated dividends, except in the event of significant one-time special payouts, despite the fact that they were once just as common as ordinary cash dividends.

Dividends remain one of the most unsolved problems in modern corporate finance. Baker, Powell and Veit (2002) note that "despite a voluminous amount of research, we still do not have all the answers to the dividend puzzle", Moreover, Baker et al. (2011) emphasize that the sole factors contributing to this ongoing issue are the heavy dependence on economic modeling models and the lack of a complete understanding of how investors and managers act and perceive dividends. Chiang *et al.*, (2006) claims that in order to answer the dividend puzzle, academic research should focus on understanding the beliefs and reasons that underlie this belief.

2.2 Concept of Ownership Structure

Saleh, Zahirdin and Octaviani (2017) defines ownership structure as "the distribution of shares with regard to votes and capital and also by the identity of the shareholders." Distribution of share focuses on ownership concentration, which is quantitative information on the capital rights of the company's top shareholders. On the other hand, identity information gives qualitative information on the personality of the controlling shareholders of the company. This study focuses of four groups of shareholders' identity: institutional, managerial, government and foreign ownerships.

2.2.1 Concept of institutional ownership

Institutional ownership denotes the proportion of ordinary shares owned by institutional investors such as banks, trust companies, pension funds, insurance companies, mutual funds, endowments, and the like. (Helena & Saifi, 2017). Institutional owners serve as an external monitoring tool owing to the severity of agency conflict, particularly in developing countries. Grinstein and Michaely (2005) contend that institutional investors often have significant stakes and are knowledgeable, thus they have incentives to invest in monitoring. In addition, researchers contend that institutional investors may influence firms' strategic decisions and operations. For instance, Shleifer and Vishny (1997) asserted that institutional owners enjoy a significant voting power and asymmetric information advantages over ordinary shareholders, which they frequently use to influence strategic choices (Schnatterly, Shaw & Jennings, 2008).

Institutional investors have a propensity to participate more actively in business decisions than non-institutional stockholders by using their influence and information (Brickley *et al.,* 1988). Additionally, institutional owners are more conservative because they frequently hold sizable percentages of the company's stock and find it difficult to sell their shares. Firth *et al.,* (2016) contend that institutional can directly interact with management teams and exercise voting rights at shareholder meetings. Firth *et al.,* (2016) further claim that institutional investor may push for higher dividends by threatening to sell their shares.

There are three hypotheses on how institutional ownership influence firm performance (Lin & Fu, 2017). According to the "active monitoring" hypothesis, institutional investors actively monitor firms' business, minimize information asymmetry and

agency problems, and improves a company's performance in two ways (Shleifer & Vishny, 1986, 1997). On the one hand, institutional investors use their highly developed managerial abilities, specialized expertise, and voting rights to exert influence over executives and enhance corporate governance while also assisting the company in corporate strategy. On the other hand, whenever the firm requires funds to expansion, these institutional investors can either give it to them or leverage their connections to get money for the firm.

The "passive monitoring" perspective view institutional investors as short-term traders who are interested in speculative short-term trading profits based on information advantages (David & Kochhar, 1996). As a result, institutional investors are perceived as being more focused on fulfilling their portfolio needs than on enhancing a company's corporate governance structures (Elyasiani & Jia, 2010). The "exploitation" hypothesis contends that institutional investors may collude with management to take advantage of minority shareholders and undermine firm performance. In particular, if they stand to gain financially from it, they might disregard corporate fraud. Therefore, if management engages in actions that reduce firm value, there would be a negative link between firm performance and institutional ownership (Elyasiani & Jia, 2010).

2.2.2 Concept of managerial ownership

Christiawan and Tarigan (2007) defines managerial ownership as the ownership of company shares owned by the manager who also serves as shareholders in the company. According to agency theory (Eisenhardt 1989; Jensen & Meckling 1976), top managers have the authority to apportion resources among different stakeholders in a way that guarantees their support. The theory further argues that giving shares to managers is an effective strategy for reducing agency conflicts by aligning the managers' and owners'

interests. When managers have a sizable shareholding, they are more inclined to take actions that will maximize shareholder value (McConnell & Servaes 1990; Denis *et al.*, 1997).

On the other hand, the entrenchment view contends that when managers have a high ownership level, they may become entrenched at the expense of shareholders and further their own interests (Shleifer & Vishny, 1989). Depending on the degree of managerial ownership, when they have the ability to keep their position or control the board, they may even choose to ignore the risk of replacement or the market's discipline (Lafond & Roychowdhury, 2008; Shuto & Takada, 2010).

2.2.3 Concept of government ownership

Government ownership signifies shares held by the central governments, local governments or their various entities, named as government-owned enterprises (Raimo *et al.*, 2020). Proponents of the agency theory suggest that having the government ownership a firm reduces the information asymmetry problem that results from investors receiving false information about the firm's value (Ding *et al.*, 2020). Hence, government ownership can also be used as a strategy of aligning the interests of owners and managers (Jensen & Meckling 1976). Eng and Mak (2003) contend that government-owned firms have an advantage over private businesses when it comes to acquiring information and financial resources. This assertion is in line with the resource dependency theory, which maintains that outsourcing enable firms to obtain financial resources from sources with a range of expertise and skills (Pfeffer, 1973). Government ownership may therefore assist a firm in minimizing capital cost and giving better control in order to promote a pleasant, productive environment and enhance firm performance.

In contrast, studies have revealed that high concentrations of government ownership is associated with lower firm value and performance. Zeitun and Tian (2007) studied the impact of government ownership on firm performance and the default risk using a sample of 59 publicly listed firms in Jordan between 1989 and 2002. The findings of this study showed that government ownership was significantly and negatively related to firm performance and the probability of default. Similarly, Sun, Tong and Tong (2002) found a nonlinear and inverted U-shaped link between government ownership and performance using data from all companies listed on the Shanghai Stock Exchange (SHSE) and Shenzhen Stock Exchange (SZSE) from 1994 to 1997. According to the author, excessive government ownership undermines the performance of businesses. Too little government ownership, on the other hand, might not be a good thing either because it might indicate a lack of the government's political support and commercial connections, which are important and required to enhance performance.

According to Havrylyshyn and McGettigan (1999), if managers are recruited for political or ideological grounds rather than their expertise, the discipline of managerial labor markets may be weakened or lacking in state ownership. Boycko, Shleifer and Vishny (1996) contend that politicians, not managers, are to blame for a significant agency dilemma in state-controlled firms. According to Shleifer and Vishny (1994), state-controlled listed firms may compromise corporate value for personal political gain in political systems where politicians can easily pursue self-serving political goals at the expense of social welfare.

2.2.4 Concept of foreign ownership

Foreign ownership denotes the percentage equity ownership of foreign investors (Takahashi & Yamada, 2021). Foreign ownership therefore signifies the proportion of

a firm’s ownership that is in the hands of individual or company who is not the citizen of the country where the company was incorporated. In contrast to local investors, foreign investors experience severe information asymmetry, which causes them to favor domestic stocks, a phenomenon known as "home bias" Lewis (1999). The findings of Lel (2017) and Kim *et al.,* (2016) provide support to this claim by showing that firms with larger agency conflicts and information asymmetries exhibit a greater degree of foreign investor monitoring efficacy. Additionally, according to Kim *et al.,* (2016), firms with weak corporate governance systems are more susceptible to the effectiveness of foreign investors' scrutiny. As was previously argued, the basis of foreign investors' investment decisions is the informational deficiencies they suffer in relation to domestic investors. Empirical studies further demonstrate that foreign investors choose equity shares in firms with low information asymmetry over those with high information asymmetry. For instance, Jiang and Kim (2004) found that the information asymmetry between firms and the market is inversely related to foreign ownership using a sample of Japanese companies. Kang and Stulz (1997) found that Japanese foreign investors prefer companies with strong financial performance, low risk and low leverage. In the Taiwan stock market, a study by Lin and Shiu (2003) found that foreign investors appeared to favor large companies with low book to market stock ratios and high export ratios. The authors attributed this investment behavior to lack of information asymmetry.

Studies show that other shareholders view the presence of foreign investors in a firm's ownership structure positively, which enhances the profitability and value of the firm. Using a sample of 10,151 firm-year observations drawn from Taiwanese listed firms over the period 1997 -2015, Kao, Hodgkinson and Jaafar (2018) found that foreign ownership had a positive and significant effect on firm performance. Although there

are numerous studies that link foreign ownership to higher firm value, empirical research reveals conflicting results. Mishra (2014) used a sample of Australian firms between 2001 and 2009 and found that foreign institutional ownership had a positive and significant effect on firm value. Conversely, using a sample of 45,617 firm-year observations drawn from 3,141 publicly listed Japanese firms during the 1990–2016 period, Likitwongkajon and Vithessonthi (2020) found that foreign ownership was negatively associated with firm value.

Ferris and Park (2005) investigated the relationship between foreign ownership and firm value using data gathered from 945 Japanese enterprises between 1995 and 1997. The findings of this study demonstrated that firm value increased up to a point where foreign ownership was roughly 40%, after which it started to decrease. The authors attributed these findings to the fact that R&D fell as foreign ownership increased. The authors further argued that whereas industrial owners often spend more on R&D domestically, they typically spend less on R&D overseas.

2.2.5 Concept of growth opportunities

Growth opportunities are ongoing or prospective projects that are expected to yield profits (Collins & Kothari, 1989). Growth opportunities are an indicator of the extent to which a firm maintains its level of growth at a rate that is considered higher than that of other firms (Al-Najjar & Hussainey, 2009). Going by earlier studies, the growth opportunities are viewed as a crucial factor in determining a firm's dividend policy. For instance, Smith and Warner (1979) and Gul (1999) claim that firms without profitable investment opportunities prefer to pay more dividends than invest in projects with negative net present values.

High-growth potential companies are frequently categorized as young companies that are still at the beginning of their business cycle (Yang & Tsou, 2020). These businesses frequently have a large number of investment options and a considerable demand for capital. As a result, profits are not distributed as dividends but rather are retained within the company to fund projects with a positive NPV. The company's ability to grow lessens, which results in more free cash that may be used to pay dividends. As a result, one would anticipate that high growth firms are more likely to pay lower dividend (Stacescu, 2010).

2.3 Theoretical Review

This study was grounded on the agency theory and the pecking order theory.

2.3.1 Agency theory

Jensen and Meckling (1976) advanced this theory; the two argued that managers do not always run the firm to maximize returns to the shareholders, which lead to a principal-agent conflict. According to Jensen and Meckling (1976), the origin of agency theory lies on the separation of ownership and control. Agency conflicts are believed to result in agency costs, which reduce shareholder value (Jensen, 1986). Previous research has recommended a wide range of strategies that can be used to mitigate the principal-agent conflict, which include ownership structure and payment of dividends. Agency conflict is more pronounced in low growth firms with substantial amount of free cash flow (Wu, 2004).

Dividend payout can be used as a monitoring tool to control agency costs, such as managers' consumption of perks and over-investment via cash payment that lowers free cash flow at the company (Grossman and Hart, 1980; Easterbrook, 1984; Jensen, 1986).

Institutional investors with particular traits operate as watchdogs and reduce agency costs through improved good corporate governance structures.

Firm value may be indirectly increased by efforts made by the company to lessen agency issues through managerial ownership, dividend policies, and monitoring practices. The reason for this is that management ownership brings managers' and shareholders' interests into alignment. The manager will try to raise the firm's value in order to reflect the price of the company's stock (Jensen & Meckling, 1976; McConnell and Servaes, 1990; Chen *et al.,* 2003). Moreover, Chen and Chen's (2012) study shows how managerial ownership raises shareholder interest and improves managerial abilities, which in turn lessens agency problems. Similarly, Joher et al. (2006) found that managerial ownership had a negative influence on a firm's capital structure, suggesting that managerial ownership contributes to a decrease in the use of debt financing. Consequently, increased managerial ownership may lead to increased reliance on internal financing, such as retained earnings; thus lower dividend payout.

According to Jensen (1986), it is preferable to pay out surplus cash as dividends in order to reduce on managerial discretionary spending and agency costs. Furthermore, Eckbo and Verma (1994) found that investors prefer free cash flow to be distributed in the form of dividends. From the agency perspective, studies have also reported a positive relationship between institutional ownership and dividend payout (Short, Zhang & Keasey, 2002; Han, Lee & Suk, 1999). Thus, institutional owners may lower agency costs by pushing for a higher dividend payout. A growing body of research further contends that institutional investors' oversight of management aids in resolving agency issues (Hoskisson *et al.,* 2002; Al-Najjar, 2010).

Studies show that foreign investors, who are more inclined to adhere to international standards and practices, support domestic investors in executive oversight (Khanna & Palepu, 2000). Earlier research studies have revealed that foreign investors will constantly demand higher dividend distribution due to information asymmetry and agency costs (Farooq *et al.,* 2022). Consequently, foreign investors not only strive for higher dividend payout but good corporate governance practices (La Porta *et al.,* 2000).

There seems to be no consensus as to whether government ownership can mitigate agency conflict through dividend payout policy. A number of studies have reported a negative association between government ownership and dividend (Jain, 2022; Ben-Nasr, 2015). These studies assert that the government does not sufficiently oversee managers that it has hired (Ng, Yuce & Chen, 2009). These studies further contend that governmental interests extend beyond a firm's financial success to include issues such as fostering regional development or maintaining high employment rates. On the other hand, the government as a shareholder might be motivated to boost dividend payments in order to resolve agency conflicts, particularly those between minority shareholders and the executives. Furthermore, because they have better access to debt financing and have access to alternate sources of funding, government-owned firms face fewer financial restraints and can pay higher dividends (Duqi, Jaafar & Warsame, 2020). This theory is used to hypothesize that ownership structure has a significant influence on dividend payout policy.

2.3.2 Theory of Pecking Order

The pecking order theory, developed by Myers and Majluf in 1984, argues that it is generally preferable to issue safe securities rather than risky ones**.** The theory suggests a hierarchical structure for financing, with retained earnings at the top then debt capital,

preferred stock, and outside equity in that sequence. This theory has traditionally been considered a valuable linkage between an organization's capital structure, dividend policy, and investment strategy.

According to this theory, firms finance their growth opportunities from internally generated funds before opting for more expensive finances. This is because asymmetric information makes these markets more expensive (Myers, 1984). Since the cost of capital reduces with reduced information asymmetry costs, businesses with less information asymmetry costs have more growth options accessible (Verrechia, 2001).

Following the pecking order theory, Sánchez-Vidal and Martín-Ugedo (2005) makes several assertions on how firms finance their investments. First, firms prefer using internally generated funds, such as retained earnings and depreciation charges, to finance potential growth opportunities. Second, firms tend to base their dividend payout ratios on the prospective investment opportunities and the anticipated cash flows. Third, because dividend payout ratios are often sticky in the short term, some years internally generated cash flows will be sufficient to meet company's financial demands, while other years they will not. Fourth, funds generated from financial surpluses are used to finance short-term financial investments or to pay off debt after dividends and financing have been paid.

Empirical literature further confirms that firms with higher investment opportunities, that require significant capital, prefer to pay out less dividends to lessen their reliance on external capital. Patra, Poshakwale and Ow-Yong (2012) examined the determinants of corporate dividend policy among listed firms in Greece by analyzing a sample of 945 firm year observations drawn from 63 nonfinancial over the period 1993 to 2007. The authors found that investment opportunities, financial leverage and business risk were

negatively related with the possibility of a firm paying dividends. In line with this argument, Huang and Paul (2017) contend that firms with low growth opportunities prefer high payout, while those with high growth opportunities opt for low or no payout. Therefore, this study used the pecking order theory to hypothesize that growth opportunities may moderate the relationship between ownership structure and dividend payout policy.

2.4 Empirical Literature Review

2.4.1 Institutional ownership and dividend payout policy

Several factors influence why institutional investors favor dividend-paying stocks (Jory, Ngo & Sakaki, 2017). First, these institutions rely on a consistent flow of dividend income to cover continuing their obligations. Second, relying too much on capital gains might cause income shortfalls in down markets; therefore, dividends are more stable. Third, dividend-paying firms are preferred for inclusion in the investment portfolios of institutional investors (such as pension funds and endowment funds) who receive tax breaks.

Jory *et al.*, (2017) assessed the link between institutional ownership stability and dividend payout ratio. The study used a sample of 205,847 firm-year observations covering 21,531 firms from the COMPUSTAT database. The authors found a positive association between institutional owners and dividend payout.

Sasan, Mohammad, and Hoda (2011) investigated the association between dividend policy and ownership structure in Tehran Stock using 427 firms-year observations and panel data for the years 2000–2007. The findings of this study show that institutional ownership was inversely related to dividend payout. The author came to the conclusion that institutional investors are associated with lower dividend payments, which is a sign

of strong firm performance. A study by Bataineh (2021) which considered a sample of 66 Jordanian industrial and service firms listed on the Amman Stock Exchange (ASE) and panel data for 2014 to 2017 found a positive association between institutional ownership and dividend payout.

Tayachi *et al.,* (2021) assessed the impact of ownership structure affect the financing and dividend decisions of firm. The authors employed panel data of manufacturing firms from both developed and developing countries for the period 2010 to 2019. The findings of this study revealed that managerial ownership and ownership concentration had significantly positive effects on debt financing, but did not have significant and negative effects on dividend policy. Further, the study found that institutional ownership had a positive and significant impact on financing decisions and dividend policy for the selected firms.

Kouki and Guizani (2009) assessed the effect of shareholder ownership identity on dividend policy among Tunisian firms. The study considered a sample of 29 listed firms (18 financial institutions and 11 industrial companies) for the period 1995 -2001. The findings of this study indicate that while institutional ownership had a significant and negative effect of dividend payout, state ownership had a positive and significant effect.

Sindhu *et al.,* (2016) examined the impact of ownership structure on dividend payout. The study used a sample of 100 non-financial sector companies listed on the Karachi Stock Exchange between 2011 and 2015. According to the regression analysis, managerial ownership significantly and negatively impacted dividend payment, whereas institutional ownership significantly and favorably impacted payout ratio. According to the study's findings, managers will favor retention over distribution as

managerial ownership increases. Conversely, the study found that institutional shareholders preferred distribution of dividends.

Juhmani (2020) assessed the effect of corporate board characteristics and ownership structure on dividend payout decision in Bahrain. The study considered companies listed on Bahrain Bourse over the period 2014 to 2016, yielding 102 firm-year observations. The study found no significant relationship between ownership structure (block-holder ownership, institutional ownership, managerial ownership) and dividend payout. Seyed, Samira and Mahnoosh (2013) examined the influence of ownership on dividend distribution. The authors employed a sample of 35 Chemical and Medical firms listed at Tehran Stock Exchange and panel data for 2002 to 2008. The findings of this study showed a positive association between institutional ownership and dividend payout. In the same line of research, Benjamin, Zain and Abdul Wahab (2015), who used a sample of 500 Malaysian publicly listed firms from the Compustat database for the years 2004 – 2009 found a positive relationship between the proportion of institutional ownership and dividend payout. Wen and Jia (2010) evaluated how management and institutional ownership affected the dividend policy of bank holding companies. The study discovered that institutional ownership proportion had a detrimental impact on BHC dividend distribution. However, dividend distribution is positively related with the proportion of institutional investors. Abdelwahed (2016) found an insignificant relationship between the institutional ownership and dividend pay-out among firms listed in Egypt over the period between 2007 and 2010.

Pinto *et al.,* (2022) studied the impact of ownership structure (specifically promoters' shareholdings, institutional investors' shareholdings and retail investors' shareholdings) on dividends payout policy among Indian listed companies. A sample

of 80 listed companies for the period 2016–2020 was considered. The regression results revealed that none of the three forms of ownership significantly affected dividend distribution policy.

2.4.2 Managerial ownership and dividend payout policy

The separation of resource ownership and control leads to conflict between company management and owners. The phrase for this phenomenon is agency conflict (Fama &Jensen, 1983). If managers are given control over free cash flows, they will face an agency problem (Jensen, 1986). As a result, manager may tend to use the free cash flow for their own advantages and benefits. Managerial ownership and debt finance are crucial methods for resolving agency disputes. According to Lace *et al.,* (2013), increased managerial shareholding reduces the conflict of interest between insiders and outsiders, lowering agency costs and the need for high dividend payout. The relationship between managerial shareholding and a firm's dividend distribution behavior has been the subject of extensive research throughout the years.

Managers' interests are aligned with shareholders when they own stock in a firm, which reduces the cost of agency (Adaoglu, 2000; Tariq *et al.,* 2019). Han (2006) made the case that as insider ownership rises, managerial and shareholder conflicts of interest will diminish, which will cut down on agency costs and the demand for big dividend payouts. Shareholders can benefit from dividend payout and motivate managers to protect their own interests. In other words, higher dividends offer stronger capital market oversight and managerial discipline from the viewpoint of the shareholders. Furthermore, shareholders may prefer to base managerial compensation to firm risk, size and profitability, and ultimately maximize dividends payout (Brunello, Graziano & Parigi, 200; Brenner & Schwalbach, 2003).

Mirza and Azfa (2010) examined the association between ownership structure and cash flows and dividend policy in Pakistan. The sample was 100 companies listed at Karachi Stock Exchange (KSE) over 2005-2007. Results of the Ordinary Least Square (OLS) regression demonstrated that managerial and individual ownership had a significantly negative relationship with dividend payout and dividend intensity.

Kulathunga and Azeez (2016) investigated the relationship between ownership structure and dividend policy among companies listed on the Colombo Stock Exchange in Sri Lanka. A sample of 77 firms and panel data over the years 2006 - 2014 were taken into account. The authors reported a negative association between the dividend policy and managerial ownership. The study concluded that the results might be linked to the free cash flow theory, which contends that managers prefer to hold onto cash under their control over paying out dividends. Wen and Jia (2010), who considered a sample 137 bank holding companies (BHCs) for the period 1993 – 2008, found a negative association between managerial ownership and dividend payout policy.

Using a sample of 642 non-financial enterprises listed on Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX), 4,494 firm-year observations, Anh (2019) found no association between managerial ownership and dividend payout ratio.

Vo and Nguyen (2014) examined the relationship between managerial ownership, leverage and dividend payout policies. A sample of 81 listed firms on HCM City Stock Exchange (HOSE), Vietnam, over the period from 2007 to 2012 was used. The empirical results revealed that leverage had a negative effect on dividend; however, managerial ownership had a positive impact on dividend payout. The study concluded that firms with a higher percentage of managerial ownerships were consciously opting

for higher dividend payout. Abdelwahed (2016) explored the effect of ownership structure on dividend payout policies of Egyptian listed companies. The author employed a sample of 50 non-financial Egyptian firms and data from 2007 to 2010. The study findings revealed a negative and significant association between managerial ownership and dividend payout policies.

Sakinc and Gungor (2015) assessed the relationship between ownership structure and dividend payout ratio. The study's data was extracted from a sample of 271 real and banking sectors companies listed in the Istanbul Stock Exchange for the years 2004 to 2011. The author found a negative, though statistically insignificant, relationship between managerial ownership and dividend payout ratio. Employing a sample of 15 cement companies listed in Pakistan stock exchange over the years 2013-2017, Jabeen and Ahmad, (2019) found that managerial ownership structure had an insignificant impact on dividend payout.

In Nigeria, Miko and Kamardin (2015) investigated the effect of ownership structure on the corporate dividend policy. This study used panel data for the period 2001 to 2010 and a sample of 8 conglomerate firms. The regression results showed a negative association between managerial ownership and dividend payout. Nazar (2021) examined the impact of corporate governance dimensions (comprising of managerial ownership, board size, board independence, and CEO duality) on dividend payout decision. The study considered a sample of 198 non-financial listed Sri Lankan firms for the years 2009 to 2016. The findings of this study revealed that managerial ownership had a significantly positive impact on dividend payout ratio. Sumail (2018) investigated how corporate governance affected the dividend payment ratio among non-financial firms listed on the Indonesian Stock Exchange. The study used panel data

from 90 companies over the years 2013 to 2016. The study's findings show that, while institutional ownership had a positive impact on dividend payout ratio; managerial ownership, ownership concentration, and leverage had a negative impact.

More recently, a study by Bian *et al.*, (2022) that looked at a sample of publicly traded companies between 2003 and 2020 on the Shanghai Stock Exchange (SHSE) and the Shenzhen Stock Exchange (SZSE), reported that managerial ownership was positively correlated with dividend payment. The author came to the conclusion that Executives may collude with the majority shareholders to engage in dividend tunneling.

2.4.3 Government ownership and dividend payout policy

Governmental ownership has a significant impact on firms' performance and dividend payout since it increases corporate oversight and provides access to capital for growth (Pessarossi & Weill, 2013; Munisi, Hermes & Randøy, 2014). However, Borisova *et al.*, (2021) finds that the effectiveness of government ownership improving the quality of corporate governance quality differs greatly among civil law and common law countries. Similarly, there is a wide variation in government ownership between developed, emerging and developing countries (Economist, 2012). For the developing markets, the government remains a significant stakeholder and still holds the controlling ownership in the majority of the listed companies (Bremer & Elias, 2007). In fact, research indicates that state-owned businesses receive preferential treatment in the credit market and are implicitly guaranteed government bailouts in the event of financial difficulty (Saeed, Belghitar & Clark, 2015). In emerging economies, where there are less developed bond markets and majority of corporate borrowing come from commercial banks, access to government financing is crucial (Saeed & Sameer, 2017). Because of the continued quasi-state dominance of the banking sector in emerging

nations, state-owned firms are inevitably linked to state-owned banks due to the homogeneity of their government ownership.

Lam *et al.,* (2012) investigated the relationship between ownership type and dividend policy. The study used data that was drawn from 1712 companies listed in the Shanghai Stock Exchange and Shenzhen Stock Exchange during the period 2001 to 2006 that yielded 7519 firm-year observation. The findings of this study showed that firms with more government ownership preferred paying higher cash dividends and lower stock dividends. Bataineh (2021) analyzed data from 66 Jordanian industrial and service firms listed on the Amman Stock Exchange (ASE) over the period 2014–2017) and found an insignificant association between government ownership and dividend payout policy. Musallam and Lin (2019) investigated the impact of ownership structures on dividend policy using a sample of 43 plantation companies listed on Bursa Malaysia for the period 2013 to 2015. The findings of this study demonstrated that state ownership had a negative and significant effect on dividend payout policy. Al-Najjar and Kilincarslan (2016) looked at how ownership structure affected Turkish listed companies' payout policies. The authors employed a sample of 264 non-financial and non-utility ISE listed enterprises, and a panel dataset spanning 2003 to 2012. The empirical findings revealed that foreign and state ownership were linked to a lower likelihood of paying dividends, whereas other ownership characteristics (family involvement, domestic financial institutions, and minority shareholders) had an insignificant impact on the likelihood of distributing dividends. Jain (2022) examined the effect of state ownership and political influence on dividend decisions in India. A sample of 250 state owned enterprises between 2007 and 2016 was used. The author found that dividend possibility and amount was negatively correlated with state

ownership. In addition, the findings of this study revealed that dividends payment increases in frequently and size soon before elections.

Duygun, Guney & Moin (2018) evaluated the impact of family and state ownership on dividend payout policy among Indonesian listed firms. Data drawn from 369 nonfinancial firms for the year 2013 was used. According to the findings, firms with a higher level of state ownership paid higher dividends than family-controlled firms. In contrast to corporation taxes, the author came to the conclusion that company dividends are one of the primary sources of income for the Indonesian government. Using 3,297 firm-year observation representing 516 nonfinancial firms listed the Warsaw Stock Exchange between 2005 and 20145, Aluchna, Berent and Kamiński (2019) reported that state ownership had a negative effect on dividend payout ratio. A study by Ben-Nasr (2015), that used data drawn from a multinational sample of newly privatized firms in 43 countries, found that dividend payouts were negatively related to government ownership. The author further observed that the negative effect of government ownership on dividend policy was more pronounced in countries with weak legal and institutional environment.

Bui, Wang & Lee (2022) studied the effect of government ownership on Vietnamese company payout policies. The results showed that state owned enterprises (SOEs) often pay greater dividends, have higher overall payouts, but engage in lower share repurchases than privately-owned companies. The study came to the conclusion that in frontier markets, enterprises with non-state ownership can lessen the negative effects of financial constraints by reducing overall dividends to shareholders and using their cash flow to raise cash holdings or capital expenditures instead.

2.4.4 Foreign ownership and dividend payout policy

The effect of foreign ownership on dividend payout policy is a hotly debated topic. Conflicting claims have been made in the past about how foreign ownership affects dividend payout policies. Researchers like Chai (2010), Setiawan *et al.*, (2016), and Musallam and Lin (2019) claim a positive link between foreign ownership and dividend payments by contending that the majority of foreign institutional ownership has dividend clients and monitoring motives. The relative tax advantages are another factor contributing to this positive association (Allen *et al.*, 2000). The outcome model developed by La Porta *et al.*, (2000) claims that foreign-controlled companies have better corporate governance practices and higher dividend payouts. La Porta *et al.*, (2000) note that foreign investors typically operate as more active monitors to safeguard their own interests due to asymmetric information.

On the other hand, studies have also found a negative association between foreign ownership and dividend payout policy. Using a sample of 264 non-financial and non-utility ISE-listed companies between 2003 and 2012, Al-Najjar and Kilincarslan (2016) found that foreign and state ownership are associated with a lower likelihood of dividend payments, while other ownership variables (family involvement, domestic financial institutions and minority shareholders) are insignificant in influencing the probability of paying dividends. A study by Farooq *et al.*, (2022) using a sample of 140 PSX-listed companies from 2015 to 2020 reported that managerial ownership had a significant negative impact on the dividend decision whereas institutional ownership, foreign ownership, and individual ownership had a significant positive impact.

2.5 The Moderating Role of Growth Opportunities

According to the pecking order theory, companies should keep their earnings to meet future investment needs. Myers (1984) argued that in the presence of high growth opportunities, firms prefer to retain a larger portion of earnings to meet future expansionary needs rather than distribute earnings through dividends. Myers and Majluf (1984) suggested that dividend policy could be utilized to address the underinvestment issue caused by asymmetric information. According to transaction cost theory, external funds are more expensive than internal funds in an imperfect capital market. In the case of a net present value (NPV) project, firms pay out fewer dividends to reduce their reliance on external funds and meet their need through internal sources. According to tax preference theory (developed by Brennan, 1970 and Elton and Gruber, 1970), dividend policy correlates with investor tax treatment on dividends and capital gains in an imperfect capital market. If dividend earnings are taxed, investors prefer capital gains and vice versa. As a result, dividend policies should be designed to consider the tax treatment of dividends and capital gains. The irrelevant dividend theory (Miller and Modigliani, 1961) argues otherwise, positing that in a perfect capital market, shareholders are indifferent between dividends and capital gains (e.g. no tax differential between dividends and capital gains).

Similar to this, Myers and Majluf (1984), Holder *et al*., (1998), Gul and Kealey (1999), Ho (2003), and Aivazian *et al*., (2003) argued that companies with high-growth opportunities would be expected to have different investment opportunities and that they should therefore expect low-dividend payments for high-growth companies (Al-Najjar & Hussainey, 2009). High-growth companies typically pay little or no dividends since they must use internally produced funds to finance their investments (Aldin & Malkawi, 2007). As long as there are prospects for expansion, firms prefer to minimize

the transaction expenses associated with external funding and keep a larger amount of their capital (Kouki & Guizani, 2009). Empirical studies on the association between growth opportunities and dividend payout policy show mixed and inconclusive finding.

A study by Seyed *et al.,* (2013) that employed a sample size of 35 chemical and medical firms listed on the Tehran stock market for the period 2002 - 2008, found out that low growth opportunities firm tend to have higher dividend payout. Kulathunga and Azeez (2016), using panel data drawn firms listed in Colombo Stock Exchange, reported a positive relationship between a firm's future growth opportunity and dividend policy

A research by Al-Najjar and Kilincarslan (2016) found that a firm's growth opportunities had a significant and negative impact on the choice to pay out dividends. The authors examined 264 non-financial and non-utility ISE-listed companies for the years 2003–2012. Based on the study's findings, firms have more prospects for expansion tend to retain a larger percentage of their profits to cover capital expenditures, leaving fewer funds for shareholders.

2.6 Control Variables

Given that, ownership structure and growth prospects are not the only variables that affect dividend policy, a number of control variables were added to help isolate their effect. These controlling variables include firm size, leverage, performance and firm age

2.6.1 Firm size and dividend payout policy

In contrast to a small firm, a large company often has better access to financial markets, which makes it easier and much more agile for it to obtain money at lower costs. This implies that as firm size increases, there is less reliance on internal funding. It has been shown by Fama and French (2001) and Grullon and Michaely (2002) that companies

with more assets pay out higher dividends. Farinha (2003) and Gugler and Yurtuglu (2003) demonstrated, however, that dividend payouts are negatively related to firm size. On the other hand, Sasan *et al.,* (2011) found a positive and significant relationship between firm size and dividend payout. Similarly, Sindhu *et al.,* (2016) reported a positive and significant association between firm size and dividend payout among firms listed in Karachi Stock Exchange

2.6.2 Leverage and dividend payout policy

According to Jensen and Meckling (1976) and Stulz (1988), leverage is crucial for controlling managers and reducing agency costs. Additionally, certain loan contracts impose limitations on dividend payout. This leads to the assumption that leverage and dividend distribution are negatively associated. Companies with less debt have a stronger incentive to pay dividends, according to Fama and French (2001) and Grullon and Michaely (2002). However, Sasan *et al.,* (2011) found no association between leverage and dividend payout among firms listed in Tehran Stock Exchange over the period 2000 -2007. Invoking the cash flow theory, Sindhu *et al.,* (2016) claim that all profits must be given to shareholders while debt financing must be used for projects with a positive and favorable NPV. Based on Sindhu *et al.,* (2016), corporate debt will rise when dividends are distributed, explaining the positive correlation between leverage and dividend payout. Conversely, Mirza and Azfa (2010) reported that leverage had a negative but insignificantly effect on dividend payout among firms listed in Karachi Stock Exchange (KSE), Pakistan. A study by Seyed *et al.,* (2013), which considered Chemical and Medical firms listed on the Tehran Stock Market, found that leverage and dividend payout had a negative association. On the other hand, Kulathunga and Azeez (2016) found no significant relationship between leverage and dividend policy among firms listed companies in the Colombo Stock Exchange.

2.6.3 Firm performance and dividend payout policy

Firm financial performance is a major factor in dividend payout policy. Profitability is the company's main source of funding. As a result, firms experiencing losses are less inclined to pay dividends due to a lack of resources or the possibility of bankruptcy. Furthermore, dividends are conventionally paid from a firm's earnings. Earlier studies have revealed a positive relationship between return on assets (ROA) and dividend payout ratio (Bataineh, 2021). However, a study by Mirza and Azfa (2010) found that profitability was positively but insignificantly related with dividend payout but significantly related with dividend Intensity.

2.6.4 Firm age and dividend payout policy

The maturity theory claims that older firms frequently have steady revenue and fewer investment opportunities, enabling them to keep more money on hand (DeAngelo *et al.,* 2006). Therefore, they may in fact pay more cash dividends than younger companies. A study by, Ofori-Sasu, Abor and Osei (2017) which considered a sample of 30 companies that are actively listed on the Ghana Stock Exchange over the period 2008 to 2018 found that firm age and dividend payment are positively and significantly. Additionally, a study by Boshnak (2021) that analyzed data drawn form 280 Saudi-listed firms over the period 2016 to 2019 found a positive association between firm age and the likelihood of a firm to pay dividends. Therefore, this study hypothesizes that firm age should have a favorable impact on dividend payment.

2.7 Conceptual Framework

A conceptual framework is a diagrammatical illustration of the relationship between the research concepts and their impact on the phenomenon being investigated (Robert, Yu & Lewis, 2021). While Huberman and Miles (1994) assert that a conceptual

framework shows either graphically or in a narrative form the variables being studied. In this study ownership structure is the independent variable, growth opportunities the moderator and dividend payout policy the dependent variable. The study incorporated firm age, firm size, leverage and firm performance as control variables.

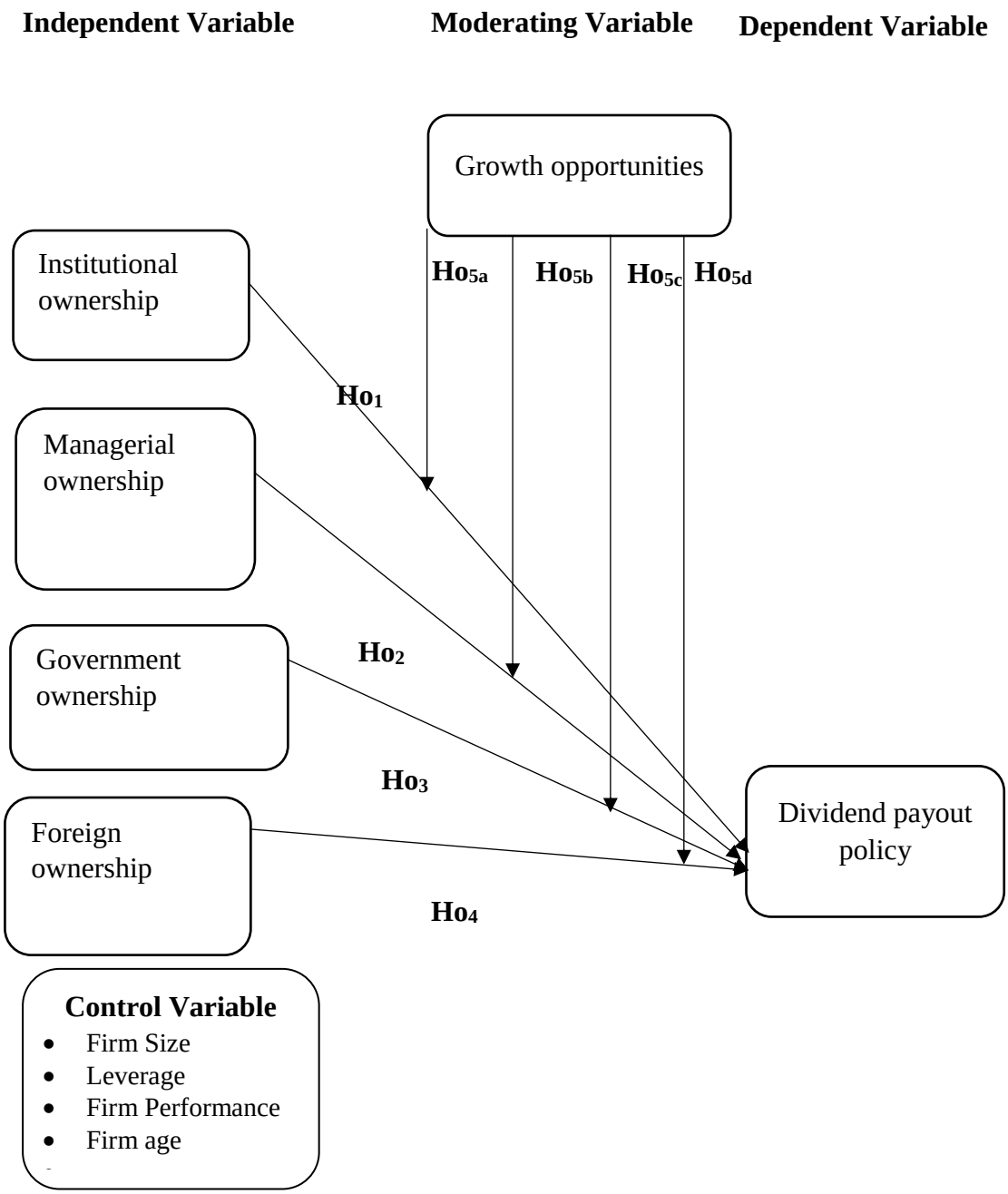

Figure 2.1: Conceptual Framework Diagram
Source: Researcher, 2023

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Overview

This chapter focuses on the research design, target population, data collection, and measurement of the study's variables, research model, data analysis, and diagnostic tests.

3.1 Research Design

Bloomfield and Fisher (2019) defines a research design as “the blueprint or plan that used by researchers to answer a specific research question." A research design is a conceptual framework for conducting research; it serves as the guide for collecting, measuring, and analyzing data (Kothari, 2004). The components of research design include strategies for conducting the study, tools for collecting the data, methods of interpreting the data, and ways for drawing inferences.

This study was guided by both the longitudinal and explanatory research design. According to Jöreskog, Olsson and Wallentin (2016) this design is ideal where the same measurement instruments are used on the same people at two or more occasions. According to Vitalari (1986), one of the key benefits of a longitudinal design is its ability to track change and make causal statements of various types. Longitudinal designs allow the researcher to track change and monitor the responses of a system to a stimulus and how that response changes over time.

Therefore, a longitudinal research design is suitable for this study because data was collected for each firm over the period between 2011-2021 across several firms. According to Creswell (2012), an explanatory research design is “a correlational design in which the researcher is interested in the extent to which two variables co-vary.” An

explanatory research design is usually employed to deduce the cause-and-effect relationship between variables (Kassa, 2021). An explanatory research design is ideal since this study seeks to examine whether growth opportunities moderate the relationship between ownership structure and the dividend payout policy among listed firms in the EAC partners states.

3.2 Target Population

According to Ngechu (2017), a population is a defined set of people, services, elements, events and groups or households being investigated, According to Alexander (2015), a target population is a group "about which conclusions are to be made." Therefore, the target population comprises a collection of elements upon which research findings were generalized. The study population consisted of all listed firms in East Africa partner states. Rwanda 10, Kenya 67, Uganda 17 and Dar-es-salaam Stock Exchange 28. Burundi was excluded as it did not have a securities/stock exchange.

3.2.1 Inclusion and Exclusion Criterion

The inclusion and exclusion criteria were based on three conditions. First, the firm must have been in operation over the study period of 2011 to 2021. Second, the firm should have had complete data and has not undergone major restructuring such as merger or acquisition which may impair consistency of the data. Third, firms that were cross-listed in the EAC were only considered once from their country of incorporation, and the group accounts were used

3.3 Data Collection

According to Byers (1995), data collection is "the process of collecting evidence in order to answer the research questions or test research hypotheses." In the same vein, Arun *et al.,* (2022) views data collection as "the process of collecting, measuring and analyzing accurate research data using standardized method." The study used secondary data that was collected using a data collection schedule. Researchers also argue that secondary data is more reliable and objective than primary data (Sekaran & Bougie, 2019; Vartanian, 2010). The annual audited financial reports were extracted from individual firm's website, while any missing financial reported were sourced from the respective stock/securities exchange database as well the African financials database.

3.4 Measurement of Variables

3.4.1 Dividend payout policy

Dividend payout policy was the dependent variable, and it is an indicator of a firm's policy regarding distribution of cash dividend to its shareholders. A high dividend payout policy results in higher current payouts and lower retained earnings, while the opposite is also true. Based on prior literature, this variable was measured as dividends paid divided by net income (Cao, Wang & Zhou, 2022; Lam *et al.,* 2012; Sun *et al.,* 2017).

3.4.2 Institutional ownership

Institutional ownership refers to the portion of a company's shares held by institutional investors such as insurance companies, investment companies, and other forms of institutions. Going by previous studies, institutional ownership was measured as the

percentage of shares held by foreign and domestic institutional investors (Raimo *et al*., 2020; Al-Najjar & Kilincarslan, 2016).

3.4.3 Managerial ownership

Proportion of a company's ownership held by management (director and senior officers) taking part actively in decision-making. Therefore, following previous studies this study was measured managerial ownership as total ownership by top management and directors as a percentage of the firms' total shares outstanding (Fahlenbrach & Stulz, 2009; Raimo *et al.,* 2020; Al-Najjar & Kilincarslan, 2016; Francis *et al.,* 2011).

3.4.4 Government ownership

Government (state) ownership refers to the number of shares held by the state at both national and local levels, including shares owned by governmental institutions. Government ownership was measured as a percentage of a firm's share held by the government and its entities (Al-Najjar & Kilincarslan, 2016; Saeed *et al.,* 2016).

3.4.5 Growth opportunities

Growth opportunities denote existing and potential projects that are likely to generate positive net present values (NPV). Following Lang and Litzinberger (1989), Ghahoum, (2000), and Farinha (2002) future growth opportunities was measured as the ratio of market to book value of equity, (MV/BV).

3.4.6 Control variable

3.4.6.1 Firm size

Firm size was measured as the logarithm of total assets (Dalbor, Kim & Upneja, 2004).

3.4.6.2 Leverage

Firm leverage is measured as the ratios of long-term debt to equity and total debt to equity (Kodongo, Mokoaleli-Mokoteli & Maina, 2015).

3.4.6.3 Firm Performance

Based on prior literature firm performance is measured by an accounting-based performance indicator, return on assets (ROA) (Wang, Abbasi, Babajide & Yekini, 2020)

3.4.6.4 Firm age

Going by empirical literature this study measured firm age as the natural logarithm of number of years since the firm was founded (Chen, Coviello & Ranaweera, 2021; Chi, 2009).

Table 3.1: Measurement of the study variables

Variable	Category	Symbol	Measurement	Source
Dividend payout policy	Dependent variable	DPP	Cash dividends paid to the shareholders divided by the net income	Lam *et al.*, 2012; Sun *et al.*, 2017; Cao *et al.*, 2022).
Managerial ownership	Independent variable	MOWN	Percentage of ordinary shares owned by top management	Raimo *et al*., 2020; Al-Najjar and Kilincarslan (2016).
Institutional ownership	Independent variable	IOWN	Percentage of ordinary shares held institutional investors.	Raimo *et al*., 2020; Al-Najjar and Kilincarslan (2016).
Government ownership	Independent variable	GOWN	Percentage of ordinary shares owned by the state.	Raimo *et al*., 2020
Foreign ownership	Independent variable	FOWN	Percentage of ordinary shares owned by the foreign investors, based on the company's nationality (country of incorporation).	Al-Najjar and Kilincarslan (2016).
Growth opportunity	Moderating variable	GOP	Ratio of market to book value of equity	Al-Najjar and Taylor (2008).
Firm size	Control variable	FS	Natural logarithm of total assets.	Raimo *et al*., 2020; Al-Najjar and Kilincarslan (2016).
Leverage	Control variable	LEV	Ratio of the book value of debt over the book value of equity.	Raimo *et al*., 2020; Al-Najjar and Kilincarslan (2016).
Firm performance	Control variable	ROA	Net income divided by net assets.	Al-Najjar and Kilincarslan (2016).
Firm age	Control	FA	Number of years since incorporation	Boshnak (2021), Ofori-Sasu *et al*., (2017)

Source: Researcher (2023)

3.5 Testing for Moderation

The study's goal was to investigate if growth opportunities ownership moderates the effect of ownership structure on dividend payout policy. According to Baron and Kenny (1986) there are three conditions for moderation to take place. First, there must be a relationship to be moderated. This implies that the effect of the predictor variable on the outcome variable should be significant. Second, the relationship between the moderating variable and the outcome variable should also be significant. Third, the effect of the interaction term (predictor variable* moderator) on the outcome variable should also be significant. The moderating effect was checked by looking into the beta coefficient of the interaction terms. While the nature of moderation was tested through Modgraphs.

To test the direct and moderating effects multiple hierarchical regression with 7 estimation models was used. The first model regressed the dependent variable against the control variables. The second model regressed the dependent, controls and the predictor variables. The third regressed the dependent variable on the controls, the predictor variables and moderator. The predictor variables and the moderator were mean centred before interacting them to avoid multicollinearity (Kanadli *et al*., 2020). The interaction terms were added hierarchically from model 4-7. Model 7 was used to test for moderation. The regression models used are discussed in the subsequent section.

3.6 Model Specification

To examine the direct and moderating effects, the study adopted a hierarchical multiple regression model as suggested by Baron and Kenny (1986). A series of hierarchical multiple linear regression model were used as shown below.

Model 1. Testing the effect of the control variables on dividend payout policy.

$$DPP_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 LEV_{it} + \beta_3 FP_{it} + \beta_4 FA_{it} + \varepsilon_{it}$$

Model 2. Testing the effect of independent variables on dividend payout policy.

$$DPP_{it} = +\beta_0 + \beta_1 FS_{it} + \beta_2 LEV_{it} + \beta_3 FP_{it} + \beta_4 FA_{it} + \beta_5 IOWN_{it} + \beta_6 MOWN_{it} + \beta_7 GOWN_{it} + \beta_8 FOWN_{it} + \varepsilon_{it}$$

Model 3. Testing the effect of the moderator (growth opportunities) on the outcome variable (dividend payout policy).

$$DPP_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 LEV_{it} + \beta_3 FP_{it} + \beta_4 FA_{it} + \beta_5 IOWN_{it} + \beta_6 MOWN_{it} + \beta_7 GOWN_{it} + \beta_8 FOWN_{it} + \beta_9 GOP_{it} + \varepsilon_{it}$$

Model 4. Introducing the first interaction term between growth opportunities and institutional ownership.

$$DPP_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 LEV_{it} + \beta_3 FP_{it} + \beta_4 FA_{it} + \beta_5 IOWN_{it} + \beta_6 MOWN_{it} + \beta_7 GOWN_{it} + \beta_8 FOWN_{it} + \beta_9 GOP_{it} + \beta_{10} IOWN * GOP + \varepsilon_{it}$$

Model 5. Introducing the second interaction term between growth opportunities and managerial ownership

$$DPP_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 LEV_{it} + \beta_3 FP_{it} + \beta_4 FA_{it} + \beta_5 IOWN_{it} + \beta_6 MOWN_{it} + \beta_7 GOWN_{it} + \beta_8 FOWN_{it} + \beta_9 GOP_{it} + \beta_{10} IOWN * GOP + \beta_{11} MOWN * GOP + \varepsilon_{it}$$

Model 6. Introducing the third interaction term between growth opportunities and government ownership.

$$DPP_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 LEV_{it} + \beta_3 FP_{it} + \beta_4 FA_{it} + \beta_5 INSOWN_{it} + \beta_6 MOWN_{it} + \beta_7 GOWN_{it} + \beta_8 FOWN_{it} + \beta_9 GOP_{it} + \beta_{10} IOWN * GOP + \beta_{11} MOWN * GOP + \beta_{12} GOWN * GOP + \varepsilon_{it}$$

Model 7. Introducing the fourth interaction term between growth opportunities and foreign ownership.

$$DPP_{it} = \beta_0 + \beta_1 FS_{it} + \beta_2 LEV_{it} + \beta_3 FP_{it} + \beta_4 FA_{it} + \beta_5 IOWN_{it} + \beta_6 MOWN_{it} + \beta_7 GOWN_{it} + \beta_8 FOWN_{it} + \beta_9 GOP_{it} + \beta_{10} IOWN * GOP + \beta_{11} MOWN * GOP + \beta_{12} GOWN * GOP + \beta_{13} FOWN * GOP + \varepsilon_{it}$$

DPP = dividend payout policy

IOWN = Institutional ownership of firm i at year t

MOWN = Managerial ownership of firm i at year t

GOWN = Government ownership of firm i at year t

FOWN = Foreign ownership of firm i at year t

GOP = Growth opportunities of firm i at year t

FS= Firm size of firm i at year t

FA= Firm age of firm i at year t

LEV=Leverage of firm i at year t

FP= Firm Performance of firm i at year t

β1… β12 = Coefficients of the equations

t = Time

i = Firm

ε = error term

3.7 Regression Assumptions and Diagnostic Tests

It is crucial to test the linear regression assumptions and panel diagnostic test namely linearity, normality, multicollinearity, serial correlation or autocorrelation, heteroscedasticity, and model mis-specification, in order to provide correct estimation models. When those presumptions are violated, findings may be biased, especially over large time series periods (Baltagi, 2008) Regression diagnostic tests are techniques for

exploring problems inherent to regression analysis and determining whether certain assumptions appear reasonable (Fox, 1991). Regression models have several assumptions that must hold before data analysis. These assumptions include linearity, multivariate normality, multicollinearity, and homoscedasticity (Hayes, 2018). Similarly, panel data diagnostic test were conducted to ascertain the suitability of the data before using the selected panel data estimation model. Specifically, the study checked for unit root, heteroskedasticity, and autocorrelation.

3.7.1 Linearity Test

Regression models assume a linear relationship between the independent variable(x) and the dependent variable(y). The premise of linearity was tested through scatter plots.

3.7.2 Normality Test

Regression models assume multivariate normality. Therefore, the purpose of normality test was to examine whether the residuals in a regression model are normally distributed (Ghozali, 2016). The study used the Shapiro Wilk tests to test for normality. The null hypothesis for the test was normality, implying that if the p values is greater than 0.05, then we fail to reject the null hypothesis and conclude that that residual are normally distributed.

3.7.3 Multicollinearity Test

Zweifel, Felder and Werblow (2004) defines multicollinearity as “near perfect linear dependence between explanatory variables which causes an inability to distinguish between them (indicated by high standard errors of coefficients and hence lack of significance).” Therefore, multicollinearity occurs when the independent variables have a high degree of correlation with one another. Multicollinearity affects the ability of explanatory variables to explain and predict response variables. The study used the

Variance Inflation Factor (VIF) to test for multicollinearity, and the thresh hold was that the VIF factors should be less than 10. If multicollinearity was detected the highly correlated variable was dropped or the measurement changed.

3.7.4 Homoscedasticity Test

Homoscedasticity assumes that that the error is the same across all values of the independent variables (Al-Juaidi, Nassar & Al-Juaidi, 2018). Heteroscedasticity affects the validity of inference, the statistical power of hypothesis tests, and the accuracy of the regression coefficients' accuracy intervals. The study used the Breush-Pagan to test for homoscedasticity. The null hypothesis (Ho) of this test was homoscedasticity, whereas the alternative hypothesis (Ha) is heteroscedasticity. Thus, if the p- values of the test Chi2 is greater than 0.05, then we fail to reject null hypothesis and conclude that the error term has a constant variance. If heteroscedasticity is present, then it was cured treated using the white correction for standard errors (Chatagny & Soguel, 2012).

3.7.5 Autocorrelation Test

Gujarati (2012) defines autocorrelation as the "correlation between members of a series of observations ordered in time." The presence of autocorrelation renders the estimated values of t, F, and $\chi 2$ incorrect. The study employed the Wooldridge test for autocorrelation. The null hypothesis of the Wooldridge test is no first serial correlation in idiosyncratic errors; the alternative hypothesis (Ha) is the presence of serial/autocorrelation. If the p-value is greater than 0.05, then fail to reject the null hypothesis and conclude absence of serial correlation. If autocorrelation is detected it is usually eliminated through first differencing.

3.7.6 Unit Root Test

Regression analysis depends heavily on the premise that time series data should be stationary. According to Phinyomark *et al.,* (2014) the term stationarity means, "that statistical properties of the signal do not change over time." The opposite of stationary is unit root, non-stationarity. Non-stationary affects the validity of the t-test and the F-test as well as causing erroneous regression relationships. The study performed several unit root tests to confirm stationarity: Harris-Tzavalis and Levin-Lin-Chu. The null hypothesis (Ho) for the three tests was that all panels contain unit roots, while the alternative hypothesis (Ha) was stationarity. Therefore, the decision rule was that the p-value of the tests should be less than 0.05 to reject the null hypothesis and confirm stationarity.

3.7.7 Model misspecification

Ramsey (1969) advanced the "Regression Specification Error Test" (RESET) for the linear regression model as a conventional misspecification test. This test was developed to detect both omitted variables and incorrect functional form. In order to determine whether the model specification is erroneous, the testing approach compares the residuals' distribution under the correct model specification against that under the alternative hypothesis. The null hypothesis of no misspecification conjectures exist an efficient, consistent, and asymptotically normal estimator of the regression parameters. Conversely, the alternative hypothesis of model misspecification, hold that the estimator was biased and inconsistent (Hausman, 1978). The null hypothesis (Ho) of the Ramsey RESET test is that there is no mis-specification in the model, while the alternative hypothesis (Ha) is that there is mis-specification. Therefore, we fail to reject the null hypothesis if the p-value of the test is greater than 0.05.

3.8 Data Analysis

Sharma (2008) defines data analysis as "the process of developing answers to questions through the examination and interpretation of data." Data analysis entails the application of reasoning to understand the data, and it encompasses looking for consistent patterns and summarizing important details discovered in the investigation. Data analysis was preceded by data entry, data cleaning, and converting the raw data into the various proxies measuring the research variables.

Data was analyzed through both descriptive and inferential statistics. The purpose of descriptive statistics aimed to summarize the data into mean, minimum and maximum values, and standard deviation. The study used Pearson's pairwise correlation to estimate the direction and magnitude of the research variables. The study's hypotheses was tested by interpreting the beta coefficients and ρ-values of multivariate regression estimation equations.

The choice between the fixed effect and random effect regression model was based on the results of the Hausman test. Fixed effect regression allows one to control for time-invariant unobserved individual effects correlated with the observed independent variables. The fixed-effect model assumes that any time-invariant characteristics are unique to an individual, hence not associated with other individuals' characteristics. The random-effect assumes that the variation across entities is random and uncorrelated with the predictor variables (Greene, 2003). Hausman test has two hypotheses;

Ho. (Null hypothesis) the preferred model is random-effect

Ha. (The alternative hypothesis) the preferred model is fixed-effect.

If ρ-value <0.05, the null hypothesis is rejected, and the fixed-effect model should be used; otherwise, the random-effect model.

3.9 Ethical Considerations

The aim of ethical considerations is to guide the study in a way that ensures participant protection while also fostering confidence in them. The privacy of respondents and the intended use of the data acquired are the main ethical issues. First, because the study used publicly available, data collection did not require questionnaires or respondents. Second, the data was freely accessible on the company's websites and the Securities Exchange of all East African listed companies. However, the study ensured that the results are unbiased, the data was collected using an objective approach as described in the data collection schedules.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

4.1 Overview

This chapter presents the descriptive, the results of the diagnostics test, the correlation and the regression results.

4.2 Summary Descriptive Statistics

Table 4.1 presents the raw summary descriptive statistics for the research variables under study for the period 2011-2021.

From the table 4.1, the mean of the dividend payout ratio is 0.3243 (standard deviation =0.2589; Minimum=0; Maximum=0.8811). The mean of dividend payout ratio is an indicator that firms are distributing a moderated level of earnings to shareholders. Further, the standard deviation 0f 0.2589 implies high variation in dividends payout among selected companies. Evidently, some companies did not pay shareholders dividends from the earnings from the tax.

The mean of financial performance as measured by ROA is 0.1558 (standard deviation =0.2578; Minimum=-0.8414; Maximum=0.9117). The mean of ROA is an indicator of the extent to which a firm is able to generate revenue from assets. Further, the standard deviation 0f 0.2589 implies high variation in ROA among selected companies.

The mean of firm leverage is 2.3756 (standard deviation =1.8166; Minimum=0.0235; Maximum=6.3747). Firm leverage is an indicator of financial risk of a company for acquiring too much debt as compared to equity. On average, firms in East Africa have a higher leverage ratio as indicated by a mean value of 2.3756 that is greater that the generally accepted rule of thumb of one. This indicates that most firms in East Africa

use a higher proportion of debt as compared to equity. Further, the standard deviation 0f 1.8166 implies high variation in firm leverage among selected companies.

The mean value of firm age is 37.5767 taking 2011 and 2021 as the reference points (standard deviation = 22.7117; Minimum= 2; Maximum= 133). Firm age shows the numbers of years of incorporation of a company.

The mean of firm size is 9.7243 taking 2011 and 2021 as the reference points (standard deviation = 1.0444; Minimum = 6.852; Maximum = 12.1086). The extent of variation from the mean of firm size was high as indicated by a standard deviation of 1.0444.

The mean of managerial ownership is 0.1211 (standard deviation =0.1114; Minimum=0; Maximum=0.4554). On average, management of companies in East Africa own around 12.11 percent of the total available stocks. The minimum value of 0 indicates that there were firms where management do not own any stocks in the company. The maximum value indicates that there are firms where management own about 45.54 percent of the total stocks. The variation from the mean was high as indicated by a standard deviation of 0.1114.

The mean of government ownership is 0.0948 (standard deviation =0.1853; Minimum=0; Maximum=0.7498). On average, governments in East Africa own around 9.48 percent of the total available stocks. The minimum value of 0 indicates that there were firms where governments do not own any stocks. The maximum value indicates that there are firms where governments own about 74.98 percent of the total stocks. The variation from the mean was high as indicated by a standard deviation of 0.1853.

The mean of foreign ownership is 0.1832 (standard deviation =0.2513; Minimum=0; Maximum=0.9672). The minimum value indicates that there were firms where

foreigners did not own any stocks. The maximum value indicates that there are firms where foreigners own about 96.72 percent of the total stocks. The variation from the mean was relatively higher as indicated by a standard deviation of 0.2513.

The mean of institutional ownership is 0.5719 (standard deviation =0.2949; Minimum=0; Maximum=1). The minimum value indicates that there were firms where institutions do not own any stocks. The maximum value indicates that there are firms where institutions own 100 percent of the total stocks. The variation from the mean was relatively higher as indicated by a standard deviation of 0.2949.

The mean of growth opportunity is 32.8008 (standard deviation =94.9335; Minimum=0.0031; Maximum=1029.1670). This shows that on average, most firms in East Africa have experienced growth opportunity of about 32.8008 percent over the referred period of time. The minimum value of 0.3 percent indicates that there were firms in East Africa that have experienced a lower growth rate between 2011 and 2021. The maximum value of 1029.167 percent indicates that there were firms in East Africa that have experienced higher growth opportunity between 2011 and 2021. The variation from the mean was higher as indicated a higher standard deviation of about 94.9335.

Table 4.1: Descriptive statistics results

Variable	Obs	Mean	Std. Dev.	Min	Max
DPP	627	.3242744	.2588763	0.00	.8810573
FP	627	.1557735	.2577704	-.8414176	.9116785
LEV	627	2.375582	1.81662	.0234552	6.374662
FA	627	37.57668	22.71172	2.00	133.00
FS	627	9.724292	1.044407	6.852602	12.10864
MOWN	627	.1210662	.1114158	0.00	.4553788
GOWN	627	.0947806	.1853207	0.00	.7498096
FOWN	627	.1832456	.2512779	0.00	.9671746
IOWN	627	.5718625	.2949236	0.00	1.000
GOP	627	32.80077	94.93348	.0031253	1029.167

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; GOWN, government ownership; FOWN, foreign ownership; IOWN, institutional ownership; GOP, growth opportunities.

Source (Field data, 2023)

4.3 Correlation

The results of the correlation are summarized and presented in table 4.2. In spite of a high R-squared, the correlation between independent variables is examined because they can lead to a very high standard error, a low t-statistic, and unanticipated changes in the signs or magnitudes of coefficients. Even though STATA automatically eliminates perfectly collinear variables during regression, it may be necessary to evaluate multicollinearity using pair-wise correlation and Tolerance and Variance Inflation Factor (VIF) methods. The pair-wise correlation matrix of the independent variables reveals that no two variables exhibit extremely high collinearity (greater than 0.80 in Table 4.2). Therefore, multicollinearity is not an issue with the empirical model.

Results in table 4.2 show that dividend payout ratio is positively related to financial performance ($r = 0.4940$, $p < 0.05$). Consequently, the higher the financial performance of a company, the higher the dividend payout ratio. Results further show that firm leverage is negatively related to the dividend payout ratio ($r = -0.1528$, $p < 0.05$).

Therefore, the higher the firm's leverage position, the lower the dividend payout ratio. Additionally, dividend payout ratio is positively related to financial age ($r = 0.1433$, $p < 0.05$). Consequently, the older the firm, the higher the dividend payout ratio.

Table 4.2: Correlation results

	DPP	FP	LEV	FA	FS	MOWN	GOWN	FOWN	IOWN	GOP
DPP	1.0000									
FP	0.4940*	1.0000								
LEV	-0.1528*	-0.0381	1.0000							
FA	0.1433*	0.0721	0.1229*	1.0000						
FS	0.2313*	0.1181*	0.1500*	0.1683*	1.0000					
MOWN	-0.3049*	-0.2456*	0.0919*	0.0132	-0.2070*	1.0000				
GOWN	0.2444*	0.0587	0.0659	0.2034*	0.3338*	-0.2522*	1.0000			
FOWN	0.1592*	0.1234*	-0.1468*	-0.0589	0.0748	-0.2078*	-0.0873*			
IOWN	-0.0668	-0.0138	0.1407*	0.1002*	-0.0484	-0.2784*	-0.1342*	-0.2624*	1.0000	
GOP	-0.1003*	-0.0036	-0.0676	-0.1585*	0.0740	-0.0556	0.0030	0.1262*	0.0420	1.0000

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; GOWN, government ownership; FOWN, foreign ownership; IOWN, institutional ownership; GOP, growth opportunities; *p<0.05

Source: Field data (2023)

Results in Table 4.2 also show that dividend payout ratio is positively related to financial size ($r = 0.2313$, $p < 0.05$). Consequently, the higher the financial size of a company, the higher the dividend payout ratio. Results further show that managerial ownership is negatively related to the dividend payout ratio ($r = -0.3049$, $p < 0.05$). Therefore, the higher the managerial ownership, the lower the dividend payout ratio. Additionally, the dividend payout ratio is positively related to foreign ownership ($r = 0.1592$, $p < 0.05$). Consequently, the higher the foreign ownership, the higher the dividend payout ratio. Lastly, dividend payout ratio is negatively related to growth opportunity ($r = -0.1003$, $p < 0.05$). Consequently, the higher the growth opportunity of a firm, the lower the dividend payout ratio.

4.4 Robustness Checks

Prior to regression analyses, the data was subjected to several robustness tests. Namely, the normality tests, multicollinearity, unit root test, test for heteroscedasticity, autocorrelation test, and specification error test

4.4.1 Unit Root Test

If data is non-stationary, econometric models generate nonsensical or erroneous regression results (Gujarati, 2012). Hossain and Hossain (2015) define non-stationary data as a data series that does not have a constant mean, variance, and auto-covariance at varying lags over time. Checking stationarity in panel data is becoming increasingly important, despite its relative novelty (Maddala & Wu, 1999). Testing for stationarity indicates that the mean and standard deviation of variables are independent of time. In economics and finance, seasonal or time-related disruptions of one period can have a significant impact on subsequent periods. This investigation utilized the Levin- Lin Chu and Fisher-type unit-root tests. In conducting the unit root test, the following hypotheses were considered.

Null hypothesis (Ho): Panel data contains unit root [non-stationary].

The alternative hypothesis (Ha): Panel data is stationary.

Taking into account the p-values displayed in Table 4.3, the null hypothesis was rejected at all conventional significance levels for all study variables, indicating that there was no unit root in the panel data and that the data was appropriate for statistical analysis.

Table 4.3: Results of Unit Root Test

	Harris-Tzavalis	Levin-Lin-Chu
DPP	-14.1938	-4.5546
p value	0.00	0.00
FP	-16.4570	-4.9400
p value	0.00	0.00
LEV	-8.7567	-76.0422
p value	0.00	0.00
FA	-6.7435	-27.8726
P value	0.00	0.00
FS	-1.7660	-16.8208
p value	0.03	0.00
MOWN	-7.5413	-2.0942
p value	0.00	0.02
GOWN	-8.9519	-4.1440
p value	0.00	0.00
IOWN	-15.0204	-20.5546
p value	0.00	0.00
FOWN	-12.8626	-25.6284
p value	0.00	0.00
GOP	-9.1534	-0.012
p value	0.00	0.00

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; GOWN, government ownership; FOWN, foreign ownership; IOWN, institutional ownership; GOP, growth opportunities.

Source: Field data (2023)

4.4.2 Normality Tests

To establish normalcy Shapiro Wilk, the use of the normality test was observed. The results shown in table 4.4 indicate that the -value is greater than 0.05. Therefore, the null hypothesis that residuals are normally distributed cannot be rejected, and the conclusion is that the data are normally distributed.

Table 4.4: Shapiro Wilk Normality test

Skewness/Kurtosis tests for Normality ------- joint ------

Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
Resid	310	0.8053	0.0543	3.90	14.26

Source: Field data (2023)

4.4.3 Autocorrelation Test

To test for autocorrelation, the Wooldridge test for autocorrelation was applied. The results presented in table 4.5 demonstrate that the p-values are greater than 0.05. Therefore, the null hypothesis of the test that there is no correlation of the first order cannot be rejected.

Table 4.5: Wooldridge test for autocorrelation results

Wooldridge test for autocorrelation in panel data

H0: no first order autocorrelation

F(1, 30) = 0.885

Prob > F = 0.3543

Source: Field data (2023)

4.4.4 Multicollinearity

Multicollinearity denotes that two or more predictor variables are strongly correlated. The Variance inflation factor (VIF) and correlation matrix were utilized to determine the presence or absence of multicollinearity. Multicollinearity exists if the VIF value exceeds 10 (Gujarati, 2012) or the pairwise correlation coefficients exceed 0.80. According to Table 4.6, the VIF values range from 1.75 to 1.07, which is less than 10, indicating that the research variables are not affected by multicollinearity.

Table 4.6: Variance Inflation Factor results

Variable	VIF	1/VIF
MOWN	1.75	0.571701
IOWN	1.60	0.626845
GOWN	1.43	0.699894
FOWN	1.43	0.701545
FS	1.21	0.827025
FP	1.11	0.899395
FA	1.11	0.902505
LEV	1.09	0.914747
GOP	1.07	0.938620
Mean VIF	1.31	

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; government ownership; foreign ownership; institutional ownership; GOP, growth opportunities.

Source: Field data (2023)

4.4.5 Test for Heteroskedasticity

Table 4.7 displays the results of the Breusch-Pagan/ Cook-Weisberg test for heteroskedasticity. To regulate heteroskedasticity, a cluster-robust standard error estimator is utilized. Using this robust standard error estimator (cluster), the study postulated that observations across clusters should be independent. Chi2 (1) = 0.12, and = 0.724, indicating that the null hypothesis was not rejected. Thus, the homoscedasticity assumption was not violated.

Table 4.7: Breusch-Pagan / Cook-Weisberg Test for Heteroscedasticity results

Variables: Myresiduals

chi2(1) =	0.12
Prob > chi2 =	0.724

Source: Field data (2023)

4.4.6 Specification Error Test

The results of the Ramsey RESET test are highlighted in Table 4.8. Based on the results presented in the table 4.8, the probability values of the computed statistics for the Ramsey RESET test are greater than the threshold value of 0.05, indicating that the model does not appear to be improperly specified.

Table 4.8: Ramsey RESET (test using powers of the fitted values of DPP)

Ho:	model has no omitted Variables	
	F(3, 295) =	1.35
	Prob > F =	0.2577

Source: Field data (2023)

4.4 Regression Analyses

4.4.1 Testing the Effect of the Control Variables on Dividend Payout Policy

The study had four control variable; firm performance, firm leverage, firm age and firm size and the regression results for the fixed effect are presented in table 4.9.

Table 4.9 shows that firm performance has a significant and positive effect on dividend payout ratio (β= 0.2717, ρ<0.05), and the results agree with those of Hafeez et al., (2018). An increased dividend payout ratio as a consequence of an improvement in the firm's profitability might be seen as an indication of the company's robustness and consistency in terms of its finances. The majority of the time, investors will view a high dividend payment ratio favorably because they believe it to be an indication that the firm in question has a viable business strategy, robust cash flows, and a stable position in the market. This view may result in higher investor confidence, which might potentially attract additional investors and have a favorably impactful effect on the stock price of the company. Additionally, if there is a positive correlation between the success of the company and the dividend payout ratio, this may be an indication that

management is optimistic regarding the future of the company. If a firm is able to improve its financial outcomes over time, this is a strong indicator that the organization is well-positioned for future expansion and profitability. It's possible that management will decide to boost the dividend payout ratio as a means of showing gratitude to shareholders for their support and confidence in the business, as well as to communicate their excitement over the company's potential going forward.

Firm leverage has a significant and negative effect on dividend payout ratio (β= -0.0178, $\rho<0.05$), and the results agrees with the study done by Azhariyah, Witjaksono & Hartono, (2021). High leverage can be interpreted as a sign of financial instability and risk. When businesses take substantial debt, it may be more susceptible to economic downturns, fluctuations in interest rates, and other financial difficulties. In such circumstances, management may prioritize debt repayment and retained earnings over dividend payments in order to strengthen the company's financial position. Therefore, the dividend payout ratio is impacted negatively. Moreover, lenders and creditors frequently monitor a company's dividend policy, especially when leverage is excessive. To protect their interests and ensure that the company meets its debt obligations, they may place restrictions on dividend distributions. Therefore, companies with high leverage may encounter dividend distribution limitations, resulting in a lower dividend payout ratio.

Firm age has a significant and positive effect on dividend payout ratio (β= 0.4771, $\rho<0.05$), and the results agrees with those done by Putri & Rachmawati, 2017). The significant and positive effect of firm age on dividend payout ratio suggests that as companies mature and age, they tend to have higher dividend payout ratios. The age of a business is frequently associated with stability, established operations, and

accumulated financial fortitude. Older companies are more likely to have predictable cash flows, a stable track record, and a loyal investor base, allowing them to pay out a larger proportion of their earnings as dividends. This favorable relationship reflects the confidence of management and shareholders in the company's long-term success and its ability to generate consistent profits, making it an attractive investment option for income-seeking investors.

Firm size has a significant and positive effect on dividend payout ratio (β= 0.0634, ρ<0.05), and the results agrees with those done by Adiputra & Hermawan, (2020). The significant and positive effect of firm size on dividend payout ratio suggests that larger firms have higher dividend payout ratios on average. Typically, a company's resources, market dominance, and financial stability are reflected in its scale. Larger companies typically have greater profitability and cash flow generation capabilities, allowing them to pay out a greater proportion of their earnings as dividends. Moreover, larger companies frequently have a larger shareholder base and are subject to heightened investor scrutiny. Maintaining a higher dividend payout ratio can be viewed as a means of attracting and retaining investors, increasing shareholder value, and signaling the company's financial strength and stability. In general, the positive correlation between firm size and dividend payout ratio demonstrates the significance of firm size in determining dividend distribution policies.

Table 4.9: Effect of the Control Variables on Dividend Payout Policy results

Fixed-effects (within) regression	Number of obs	= 627
Group variable: ID	Number of groups	= 57
R-sq: within = 0.2251	Obs per group: min	= 11
between = 0.2483	Avg	= 11.0
overall = 0.2420	Max	= 11
	F(4,566)	= 41.11
corr(u_i, Xb) = 0.0247	Prob > F	= 0.0000

DPP	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
FP	.2717009	.0310262	8.76	0.000	.2107603	.3326414
LEV	-.0178002	.0058837	-3.03	0.003	-.0293569	-.0062436
FA	.4770762	.0758776	6.29	0.000	.3280402	.6261121
FS	.0633604	.0108752	5.83	0.000	.0419997	.0847211
_cons	-.4460987	.1145272	-3.90	0.000	-.671049	-.2211484
sigma_u	.19346922					
sigma_e	.12343413					
Rho	.71070728	(fraction of variance due to u_i)				

F test that all u_i=0: F(56, 566) = 23.91 Prob > F = 0.0000

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size.

Source (Field data, 2023)

4.4.2 Testing the effect of ownership structure on dividend payout policy

Based on the Hausman test, the study hypotheses were tested using fixed effect model. Consequently, the fixed effect model results were used in the final analysis to overcome the deficiencies associated with the random effect model. As Kohler and Kreuter (2009) suggest, the fixed effect estimator handles better models that contain time invariant variables that are usually omitted by the random-effects model. The results of the fixed effect presented in table 4.10 shows that the model's overall R-squared is 0.3771

suggesting that the predictor variables explain 37.71% variation in the outcome variable. The model specifications, F(6,354) = 89.333 and Prob > F= 0.000, also indicate that it is statistically significant.

Table 4.10: Effect of ownership structure and dividend payout

Fixed-effects (within) regression	Number of obs	= 627
Group variable: ID	Number of groups	= 57
R-sq: within = 0.3601	Obs per group: min	= 10
between = 0.2174	Avg	= 11.0
overall = 0.2333	Max	= 11
	F(8,562)	= 39.47
corr(u_i, Xb) = -0.4524	Prob > F	= 0.0000

DPP	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
FP	.2182857	.0289557	7.54	0.000	.1614109	.2751604
LEV	-.0223979	.0054356	-4.12	0.000	-.0330745	-.0117214
FA	.4559096	.071087	6.41	0.000	.3162805	.5955388
FS	.0610605	.0099055	6.16	0.000	.041604	.0805169
MOWN	-.4469266	.1029344	-4.34	0.000	-.6491106	-.2447426
GOWN	.6926045	.0957452	7.23	0.000	.5045417	.8806673
FOWN	.2439549	.0846312	2.88	0.004	.0777222	.4101876
IOWN	-.1249713	.0411984	-3.03	0.003	-.2058933	-.0440494
_cons	-.395909	.1077158	-3.68	0.000	-.6074845	-.1843335
sigma_u	.22531294					
sigma_e	.11230918					
Rho	.80098617	(fraction of variance due to u_i)				

F test that all u_i=0: F(56, 562) = 27.89 Prob > F = 0.0000

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; GOWN, government ownership; FOWN, foreign ownership; IOWN, institutional ownership.

Source: Field data (2023)

Hypothesis (H_{01}) stated that; *Institutional ownership has no significant effect on dividend payout policy among listed firms in East Africa.* As illustrated in Table 4.10, the regression output shows that institutional ownership had a significantly negative

effect on dividend payout policy *(β4 =*-0.1250 *and ρ<0.05)*; thus, H_{01} was rejected. Based on the regression results a unit increase in institutional ownership reduces dividend payout by 0.1250 units. The empirical results show that firms with greater institutional ownership are less likely to experience dividend payout. This result contradicts the findings of Jory et al. (2017) and Tayachi et al. (2021), but concurs with the findings of Sasan, Mohammad, and Hoda (2011) and Kouki and Guizani (2009). Institutional investors seek to mitigate risk by diversifying their holdings across diverse firms and industries. Institutional investors may perceive EAC-listed companies as a subset of their overall investment strategy. Therefore, they may prioritize capital gains over dividend income, emphasizing on the potential for long-term growth rather than immediate cash flow. To optimize returns for their clients or beneficiaries, investors often target companies with high growth potential. These growth-oriented companies typically reinvest a substantial portion of their profits in R&D, expansion, and other value-creating endeavors. This reinvestment reduces the available funds for dividend payments, which may discourage institutional investors seeking immediate dividend income. In addition to tax considerations, institutional ownership can have a negative influence on dividend payout policy. Frequently, dividends are subject to taxation, which can reduce institutional investors' and clients' net returns. Depending on the tax laws of the EAC nations, institutional investors may favor companies that retain profits rather than pay dividends. Retaining profits enables businesses to reinvest in their operations or finance expansion projects, which may result in capital appreciation without imminent tax consequences. Moreover, institutional investor preferences and requirements can influence dividend payout policy. Others may prioritize firms that reinvest earnings to sustain growth and achieve higher overall returns. Institutional investors may favor companies that align with their particular investment objectives,

which may not necessitate high dividend payments. Consequently, this can contribute to the negative impact of institutional ownership on the dividend payout policy of EAC-listed companies.

Hypothesis (H_{02}) stated that; *Managerial ownership has no significant effect on dividend payout policy among listed firms in East Africa.* As illustrated in Table 4.10, the regression output shows that managerial ownership had a significantly negative effect on dividend payout policy *($\beta 4$ =*-0.4470 *and $\rho<0.05$)*; thus, H_{02} was rejected. Based on the regression results a unit increase in managerial ownership reduces dividend payout by 0.4470 units. The empirical results show that firms with greater managerial ownership are less likely to experience dividend payout. This result is consistent with the findings of Mirza and Azfa (2010) and Kulathunga and Azeez (2016), but contradicts the findings of Vo and Nguyen (2014) and Miko and Kamardin (2015). When making dividend decisions, managers with significant ownership stakes may prioritize their own interests over those of shareholders. They may prefer to retain earnings rather than distribute dividends to shareholders in order to finance their own projects, increase their control, or increase their personal wealth. The managerial agency problem is an additional contributor to the negative influence. Managers may be tempted to prioritize development and expansion over dividend payments. By retaining earnings, they can invest in the company's operations, R&D, or acquisitions, which they believe will increase the company's long-term value. As a consequence, dividends may be reduced in order to finance these growth initiatives. In addition, the cultural and economic context of EAC nations can impact the negative impact of managerial ownership on dividend payout policy. In some instances, a prevalent concentration of ownership among administrators may result in a lack of external monitoring and accountability. This concentration of power can allow managers to

prioritize their own interests and control the firm's resources, including earnings, as opposed to distributing them as dividends. In addition, the legal and regulatory environment in EAC nations may contribute to the negative impact of managerial ownership on dividend payout policy. Weak corporate governance frameworks, insufficient disclosure requirements, or lax enforcement mechanisms may permit managers to manipulate dividend decisions in their favor, thereby suppressing dividend disbursements and profiting from retained earnings.

Hypothesis (H_{03}) stated that; *Government ownership has no significant effect on dividend payout policy among listed firms in East Africa.* As illustrated in Table 4.10, the regression output shows that government ownership had a significantly positive effect on dividend payout policy *($\beta 3$ =0.6926 and $\rho<0.05$)*; thus, H_{03} was rejected. Based on the regression results a unit increase in government ownership increases dividend payout by 0.6926 units. The empirical results show that firms with greater government ownership are more likely to experience dividend payout. This result is consistent with the findings of a study conducted by Jain (2022) and contradicts the findings of Duygun, Guney, and Moin (2018). The government's desire to provide returns to its shareholders, who frequently include the general public or taxpayers, contributes to the positive effect. As a means of generating revenue for public welfare and development initiatives, governments may prioritize the distribution of dividends from state-owned enterprises (Jain 2022). The government's objectives are aligned with dividend payments, which can contribute to economic development, reduce budget deficits, and benefit the overall economy. Government ownership can also provide dividends with predictability and consistency. State-owned companies are frequently subject to government oversight and control, which can result in a consistent and reliable dividend policy. State-owned businesses may be required to distribute a portion

of their proceeds as dividends if the government establishes dividend payment guidelines or regulations. This predictability can attract investors and positively influence the dividend payout policy. Additionally, government ownership can provide investors with security and trust. Due to the government's backing and support, investors may believe that state-owned enterprises have a lower risk of financial distress or bankruptcy. As investors have faith in the capacity of government-owned firms to generate and distribute dividends, this perception of stability can positively influence dividend payout policy. Government ownership can also encourage a long-term dividend policy perspective. Governments typically have an extended investment horizon and may prioritize long-term growth and stability over profit maximization in the short term. Consequently, they may encourage state-owned corporations to implement a dividend policy that strikes a balance between current income generation and future growth and investment requirements. This perspective can have a positive impact on the dividend payout policy. Furthermore, government ownership can facilitate the alignment of national economic goals and dividend policy. Governments frequently have strategic interests in key industries or sectors, and through ownership they can influence dividend decisions to further broader economic objectives. Dividend payments can be allocated to specific sectors, regions, or initiatives that promote economic development, job creation, or infrastructure investment.

Hypothesis (H_{04}) stated that; *foreign ownership has no significant effect on dividend payout policy among listed firms in East Africa.* As illustrated in Table 4.10, the regression output shows that foreign ownership had a significantly positive effect on dividend payout policy *($\beta 4$* =0.2440 *and $\rho<0.05$)*; thus, H_{04} was rejected. Based on the regression results a unit increase in foreign ownership increases dividend payout by 0.2440 units. The empirical results show that firms with greater foreign ownership are

more likely to experience dividend payout. This result concurs with those of Chai (2010), Setiawan et al. (2016), and Musallam and Lin (2019) and contradicts those of Al-Najjar and Kilcarslan (2016). Foreign investors frequently seek consistent and reliable returns from their investments. Dividends offer a tangible return on investment and play a significant role in their investment decision-making. Therefore, firms with substantial foreign ownership may be more inclined to pay dividends to attract and retain foreign investors. Additionally, foreign ownership can increase corporate governance and transparency standards. Many foreign investors have stringent expectations for corporate governance practices, such as financial reporting transparency and dividend policies. To meet these expectations and boost investor confidence, firms with foreign ownership may be compelled to adopt and maintain prudent dividend payout policies. Additionally, foreign ownership can contribute international best practices and capital allocation expertise. Foreign investors frequently have knowledge and experience in capital allocation and financial management optimization. They may encourage firms to distribute dividends as a means of utilizing excess cash efficiently and averting inefficient investment decisions. This can result in increased dividend distributions and improved capital allocation strategies for foreign-owned companies. The prospective impact of foreign ownership on the availability of capital and access to international markets also contributes to the positive effect. Foreign investors can provide access to capital markets, allowing businesses to obtain funds for expansion and growth. By distributing dividends, companies can improve their reputation and appeal to foreign investors, thereby enhancing their capacity to access capital and finance future projects. Additionally, foreign ownership can improve corporate governance and supervision. Foreign investors frequently bring independent board members, external auditors, and more

stringent monitoring mechanisms with them. This increased oversight can lead to improved governance practices and more prudent financial decisions, such as a commitment to regular dividend payments.

4.4.3 Testing the Effect of growth opportunities on dividend pay-out policy

Since the study's main objective was to examine whether growth opportunities moderate the relationship between ownership structure and dividend payout, this study was guided by Baron and Kenny (1986) who contend that the moderator must be significantly related to the outcome variable. To achieve this, the study regressed the outcome variable against the moderating variable while controlling for the independent variable. The regression results are presented in table 4.11 as shown below.

Table 4.11: Effect of growth opportunities on dividend payout policy

Fixed-effects (within) regression	Number of obs	= 627
Group variable: ID	Number of groups	= 57
R-sq: within = 0.4198	Obs per group: min	= 11
between = 0.2858	Avg	= 11.0
overall = 0.3015	Max	= 11
	F(13,557)	= 31.01
corr(u_i, Xb) = -0.4343	Prob > F	= 0.0000

DPP	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
FP	.1866025	.028247	6.61	0.000	.1311188	.2420861
LEV	-.0247471	.0052841	-4.68	0.000	-.0351263	-.014368
FA	.3243534	.0679333	4.77	0.000	.1909167	.4577901
FS	.0513961	.0098211	5.23	0.000	.0321053	.070687
MOWN	-.4322488	.1001804	-4.31	0.000	-.6290263	-.2354713
GOWN	.7461085	.0946984	7.88	0.000	.5600988	.9321182
FOWN	.1687633	.0788698	2.14	0.033	.0138447	.3236818
IOWN	-.0852886	.0402092	-2.12	0.034	-.1642689	-.0063084
GOP	-.0469122	.014292	-3.28	0.001	-.074985	-.0188394
MOWN*GOP	.1982433	.0927085	2.14	0.033	.0161423	.3803443
GOWN*GOP	-.1489993	.0539123	-2.76	0.006	-.2548956	-.043103
FOWN*GOP	-.2777412	.0629045	-4.42	0.000	-.4013003	-.1541821
IOWN*GOP	-.0732265	.0334899	-2.19	0.029	-.1390085	-.0074446
_cons	-.2494272	.1054256	-2.37	0.018	-.4565076	-.0423468
sigma_u	.2132223					
sigma_e	.10766329					
Rho	.79683888	(fraction of variance due to u_i)				

F test that all u_i=0: F(56, 557) = 25.00 Prob > F = 0.0000

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; GOWN, government ownership; FOWN, foreign ownership; IOWN, institutional ownership; GOP, growth opportunities.

Source: Field data (2023)

Hypothesis ($H5_a$) stated that; *Growth opportunities do not significantly moderate the relationship between institutional ownership and dividend payout policy among listed firms in East Africa.* The regression results show that growth opportunities negatively

significantly moderate the relationship between institutional ownership and dividend payout policy (β= *-0.0732 and* ρ*<0.05*); hence hypothesis $H05_a$ was rejected. This result is consistent with the findings of Myers (1984).

The moderating effect of growth opportunities on the relationship between institutional ownership and dividend payout policy is further supported by a modgraph shown as figure 1. Based on the figure, dividend payout is high where there is low institutional ownership and high growth opportunities. This implies that growth opportunities have a buffering effect on the relationship between the percentage of institutional ownership and dividend payment.

Frequently, high-growth companies must reinvest a considerable portion of their profits to finance their expansion and capital-intensive projects. Due to their emphasis on long-term development potential, institutional investors may be more inclined to invest in these high-growth companies. Nevertheless, this investment strategy may reduce the proportion of earnings allocated to dividends. As growth opportunities expand, institutional investors may prioritize reinvesting profits rather than paying dividends. Institutional investors typically have diversified portfolios in an effort to reduce risk by investing in a variety of companies and industries. Institutional investors may view dividend payments as an indication that a high-growth company with substantial development opportunities is not adequately reinvesting in its growth potential. Therefore, they may favor companies that prioritize reinvestment over dividend distributions, which could have a negative impact on dividend payout policy. Moreover, development opportunities are frequently accompanied by uncertainty and risk. High-growth companies may operate in dynamic industries or encounter intense competition, which necessitates significant capital expenditures to maintain their growth trajectory. Aware of these risks, institutional investors may perceive dividend payments as

reducing a company's financial flexibility to pursue development opportunities or weather potential challenges. As a result, they may prefer firms to retain earnings for growth objectives, which may have a negative impact on the dividend payout policy.

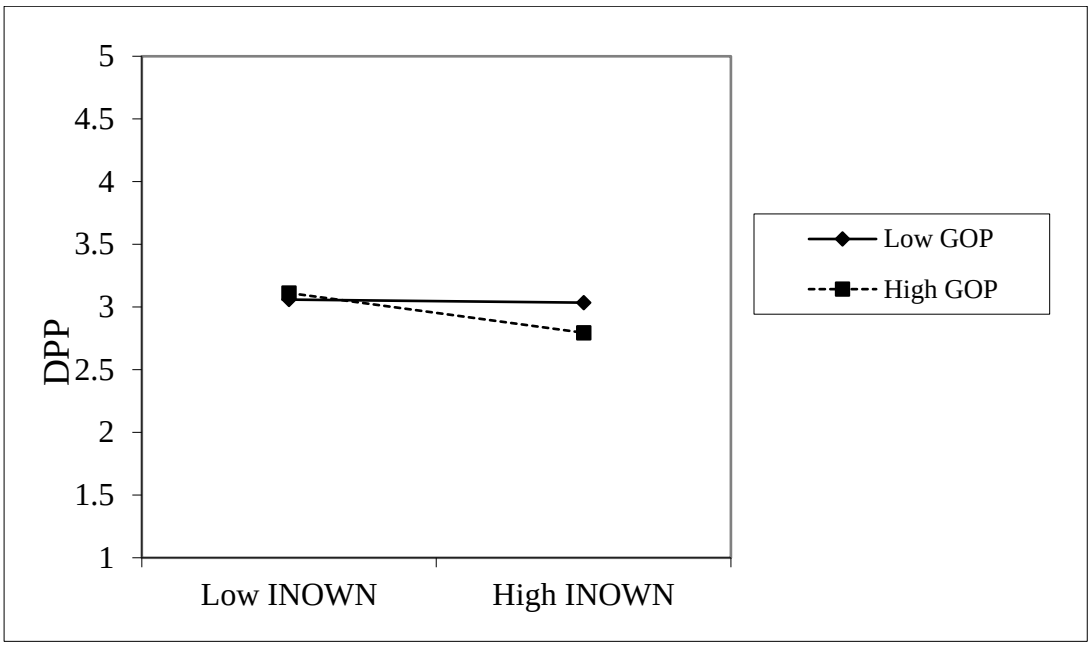

Figure 4.1: Modgraph on the moderating effect of growth opportunities on the relationship between institutional ownership and dividend payout policy.

Hypothesis ($H5_b$) stated that; *Growth opportunities do not significantly moderate the relationship between managerial ownership and dividend payout policy among listed firms in East Africa.* The regression results show that growth opportunities positively significantly moderate the relationship between managerial ownership and dividend payout policy ($\beta = 0.1982$ *and* $\rho < 0.05$); hence hypothesis $H05_b$ was rejected. The moderating of growth opportunities on the association managerial ownership and dividend payout policy is further supported by a modgraph figure 2. Based on the modgraph, when managerial ownership is high and growth opportunities is dividend payout is high and vice versa. This means that growth opportunities has an enhancing moderating effect.

When companies have high growth prospects, it often indicates that they have the potential to generate greater future capital flows. These managers have a vested interest in maximizing shareholder value and may recognize the value of distributing a portion of these increased cash flows as dividends. Consequently, they may prioritize dividend payments as a means of distributing the benefits of the company's growth to shareholders. Managers with considerable ownership stakes have a vested interest in the firm's success, aligning their interests with those of shareholders. When growth opportunities present themselves, managers may view dividend payments as a means of signaling the company's optimistic outlook and boosting investor confidence. By distributing dividends, managers can demonstrate their dedication to providing shareholders with tangible returns and strengthen the alignment of their own interests with those of other investors. In addition, greater managerial ownership is frequently accompanied by greater dividend control and influence. Managers with substantial ownership interests may have greater discretion in determining the dividend payout policy and can shape it according to their preferences and beliefs. If managers believe that the firm's development opportunities are robust and sustainable, they may be more inclined to distribute dividends to shareholders in order to capitalize on the firm's positive growth prospects.

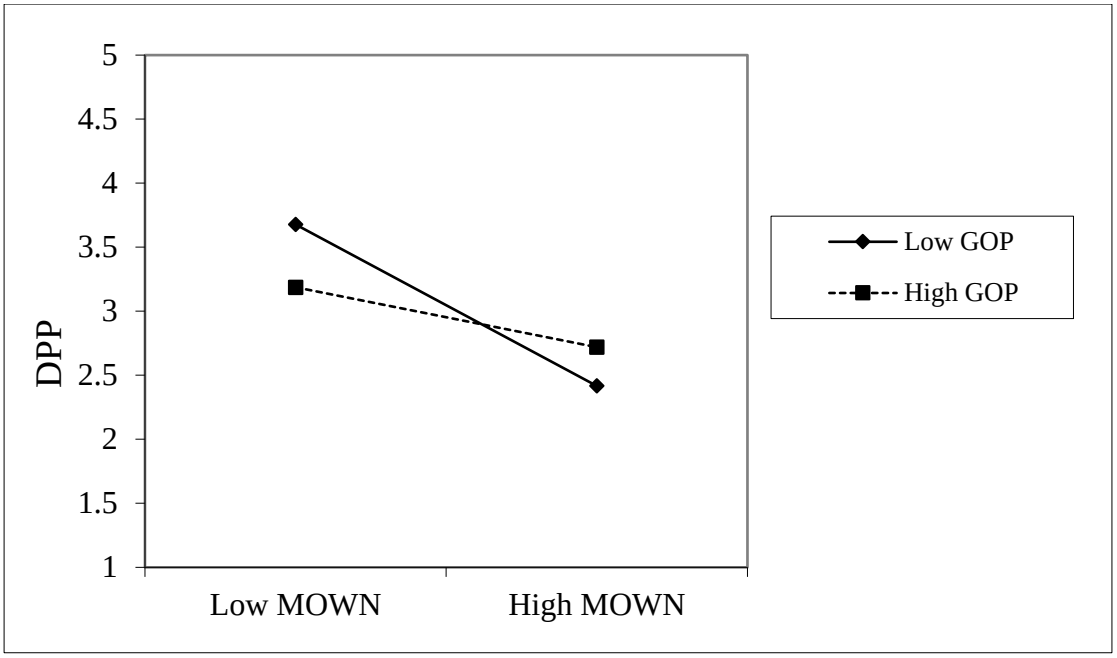

Figure 4.2: Modgraph on the moderating effect of growth opportunities on the relationship between Managerial ownership and dividend payout policy.

Hypothesis ($H5_c$) stated that; *Growth opportunities do not significantly moderate the relationship between government ownership and dividend payout policy among listed firms in East Africa.* The regression results show that growth opportunities negatively significantly moderate the relationship between government ownership and dividend payout policy (β= *-0.1490 and* $\rho<0.05$); hence hypothesis $H05_c$ was rejected.

The moderating effect of growth opportunities on the association between government ownership and dividend payout policy. The modgraph illustrate that dividend payment is high where there is high government ownership and low growth opportunities, suggesting a buffering effect. Governments may regard retained earnings as a means of financing high growth opportunities and promoting economic growth when firms have ample growth prospects. As a result, government-owned companies may be more likely to invest their profits in development rather than pay dividends. Government ownership can influence dividend decisions with political considerations. Governments can use state-owned enterprises to accomplish broader political objectives, such as job creation

or industrial development, by utilizing them as instruments. In the presence of high development opportunities, governments may prioritize reinvesting profits to support these goals over paying dividends. Political motivations may overshadow immediate shareholder returns, resulting in a negative impact on dividend payout policy. Additionally, the government's long-term perspective can influence dividend decisions. Governments frequently have a longer investment horizon and may prioritize sustainable development over maximization of short-term profits. Governments may view retaining earnings and reinvesting them as a means of fueling long-term development and maximizing the overall benefits to the economy when businesses have significant growth opportunities. This perspective may result in a diminished emphasis on dividend payments. Furthermore, government ownership can introduce additional administration and decision-making processes, which may result in dividend distribution delays or conflicting interests. In government-owned companies, dividend decisions may be subject to bureaucratic approval, which can impede expeditious and efficient dividend payments. Furthermore, conflicting interests among government officials, stakeholders, and other decision-makers can have a negative impact on dividend payout policy.

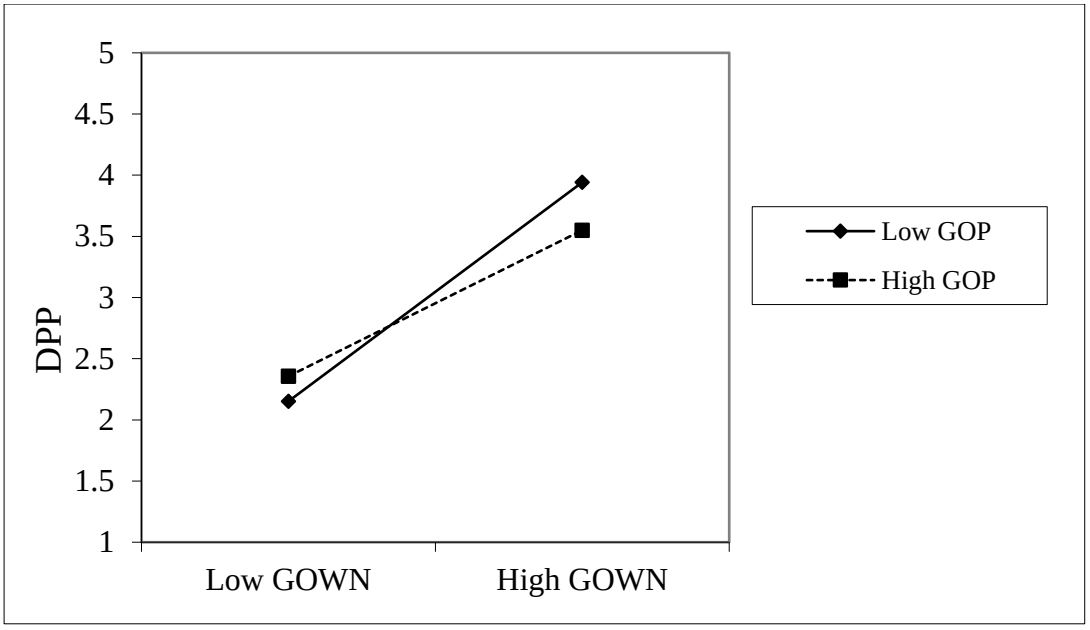

Figure 4.3: Modgraph on the moderating effect of growth opportunities on the relationship between Government ownership and dividend payout policy

Hypothesis ($H5_d$) stated that; *Growth opportunities do not significantly moderate the relationship between foreign ownership and dividend payout policy among listed firms in East Africa.* The regression results show that growth opportunities negatively significantly moderate the relationship between foreign ownership and dividend payout policy ($\beta = -0.2777$ *and* $\rho < 0.05$); hence hypothesis $H05_d$ was rejected.

The moderating effect is further examined using a modgraph shown as figure 4. Based on the modgraph, dividend payout is high where there is high foreign owner and low growth opportunities. This confirms a buffering moderating effect of growth opportunities on the relationship between foreign ownership and dividend payout policy.

Foreign investors frequently prioritize growth and capital appreciation over dividend income. Foreign investors may prefer that companies retain earnings for reinvestment when firms have high growth prospects and the potential for future capital gains. They

may view dividend payments as diminishing funds available for growth initiatives and prefer companies that prioritize reinvestment in order to maximize long-term returns. Foreign ownership introduces corporate governance and external monitoring standards. Foreign investors frequently have greater expectations for corporate governance practices, including transparent financial reporting and solid dividend policies. In the presence of growth opportunities, foreign investors may advocate for retaining earnings to fund future expansion, as this accords with their emphasis on long-term value creation over short-term dividends. Additionally, growth opportunities are frequently accompanied by increased risk and unpredictability. Companies with promising growth prospects may be required to make substantial investments and confront formidable competition. Aware of these risks, foreign investors may view dividend payments as limiting the firm's financial flexibility and ability to pursue growth opportunities or withstand potential setbacks. As a result, they may prefer firms to retain earnings for growth objectives, resulting in a negative effect on dividend payout policy. Moreover, foreign investors frequently contribute specialized knowledge and international capital allocation best practices. They could prioritize efficient capital allocation and encourage firms to reinvest earnings in development initiatives rather than pay dividends. In the presence of growth opportunities, the influence of foreign ownership can reduce the emphasis on dividend payments.

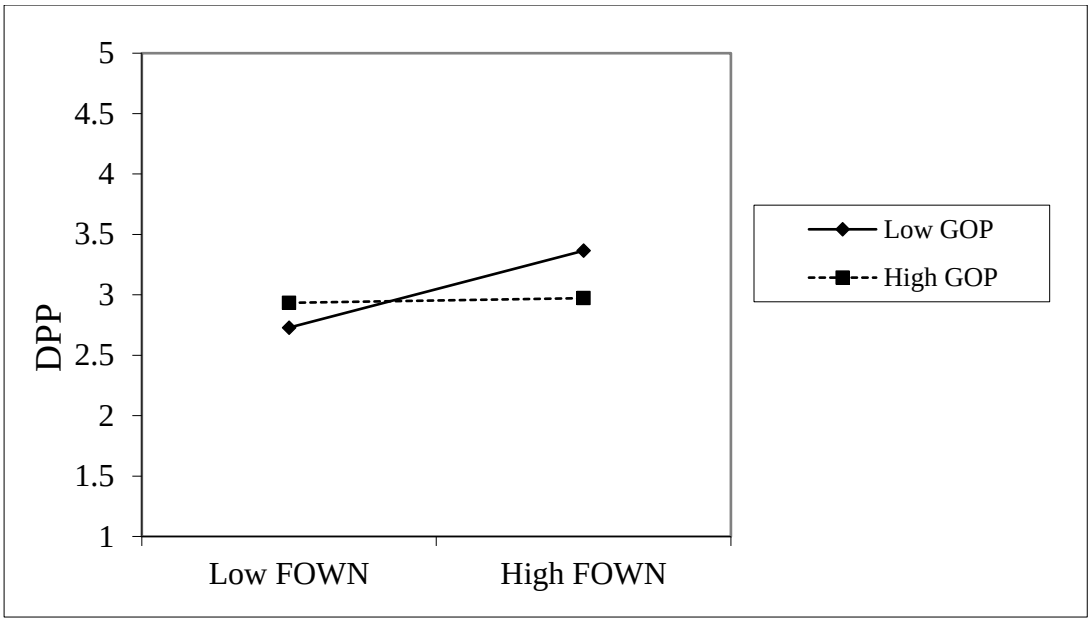

Figure 4.4: Modgraph on the moderating effect of growth opportunities on the relationship between foreign ownership and dividend payout policy

Table 4.12: Summary Table for Moderation

	Model 1 Coef. (Std. Err.)	Model 2 Coef. (Std. Err.)	Model 3 Coef. (Std. Err.)	Model 4 Coef. (Std. Err.)	Model 5 Coef. (Std. Err.)	Model 6 Coef. (Std. Err.)	Model 7 Coef. (Std. Err.)
CONSTANT	-.446(0.115)**	-.372(0.108)**	-.335(0.107)**	-.310(0.107)**	-.240(0.107)**	-.243(0.106)**	-.249(0.105)**
FP	.272(0.031)**	.218(0.029)**	.215(0.029)**	.202(0.029)**	.195(0.029)**	.191(0.028)**	.187(0.028)**
LEV	-.018(0.006)**	-.024(0.005)**	-.027(0.005)**	-.025(0.005)**	-.024(0.005)**	-.024(0.005)**	-.025(0.005)**
FA	.477(0.076)**	.407(0.070)**	.383(0.069)**	.369(0.069)**	.341(0.069)**	.343(0.069)**	.324(0.068)**
FS		.061(0.010)**	.059(0.010)**	.055(0.010)**	.048(0.010)**	.049(0.009)**	.0513961
MOWN		-.473(0.102)**	-.461(0.101)**	-.417(0.101)**	-.420(0.101)**	-.397(0.099)**	-.432(0.100)**
GOWN		.697(0.096)**	.688(0.095)**	.715(0.095)**	.782(0.096)**	.771(0.094)**	.746(0.095)**
FOWN		.272(0.080)**	.264(0.079)**	.271(0.079)**	.245(0.078)**	.172(0.079)**	.169(0.079)**
IOWN		-.125(0.041)**	-.112(0.041)**	-.087(0.041)**	-.086(0.041)**	-.084(0.040)**	-.085(0.040)**
GOP			-.047(0.014)**	-.033(0.014)**	-.039(0.014)**	-.051(0.014)**	-.047(0.014)**
MOWN*GOP				.282(0.094)**	.232(0.094)**	.220(0.092)**	.198(0.093)**
GOWN*GOP					-.195(0.054)**	-.151(0.054)**	-.149(0.054)**
FOWN*GOP						-.269(0.063)**	-.278(0.063)**
IOWN*GOP							-.073(0.033)**
R-square	0.2220	0.2346	0.2506	0.2653	0.2822	0.2940	0.3015
R-square change	-	.2812	.055	.1326	.0279	004	
F	41.11	39.21	36.86	34.56	33.28	45.10	31.01
Prob > F	.000	.000	.000	.000	.000	.000	0.000
Hausman Test							
chi2	11.09	43.41	37.22	39.28	57.37	21.89	37.22
Prob>chi2	0.030	0.000	0.000	0.000	0.000	0.000	0.0000

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; GOWN, government ownership; FOWN, foreign ownership; IOWN, institutional ownership; GOP, growth opportunities; *p<0.05.

Source: Field data (2023)

Table 4.13: Summary Results of Hypotheses Tests

Hypotheses	β	P<5%	Decision
$H_{01:}$ Institutional ownership has no significant effect on dividend payout policy among firms listed in the EAC	-0.1250	0.000	Rejected
$H_{02:}$ Managerial ownership has no significant effect on dividend payout among firms listed in the EAC	-0.4469	0.000	Rejected
$H_{03:}$ Government ownership has no significant effect on dividend payout policy among firms listed in the EAC	0.6926	0.000	Rejected
H_{04} Foreign ownership has no significant effect on dividend payout policy among firms listed in the EAC	0.2440	0.000	Rejected
$H_{05a:}$ Growth opportunities does not moderate the relationship between Institutional ownership and dividend payout policy among firms listed in the East EAC	-0.0732	0.000	Rejected
$H_{05b:}$ Growth opportunities does not moderate the relationship between Managerial ownership and dividend payout policy among firms listed in the EAC	0.1982	0.000	Rejected
$H_{05c:}$ Growth opportunities does not moderate the relationship between Government ownership and dividend payout policy among firms listed in the EAC	-0.1490	0.000	Rejected
$H_{05d:}$ Growth opportunities does not moderate the relationship between Foreign ownership and dividend payout policy among firms listed in East the EAC	-0.2777	0.000	Rejected

Source: Field data (2023)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Overview

This chapter presents the summary of the previous chapter's findings and presents the conclusion, recommendations, and areas for further research.

5.1 Summary of Findings of the Study

This study's general objective was to investigate the moderating effect of growth opportunities on the relationship between ownership structure and dividend payout policy among firms listed in the EAC. Following is the summary of the findings with reference to table 4.13 (Fixed-effects regression).

5.1.1 Effect of institutional ownership on dividend payout policy among firms listed in the EAC

The study's first specific objective was to analyze the effect of institutional ownership on dividend payout policy among firms listed in EAC. The findings revealed that institutional ownership had a negative and significant effect on dividend payout policy among firms listed in EAC (β= -0.1250*; $\rho < 0.05$)*; *suggesting* that when institutional ownership goes up the dividend payout policy also decreases. This result is in contradiction with the results done by Jory *et al.,* (2017); Tayachi *et al.,* (2021) and agreed with a study done by Sasan, Mohammad & Hoda (2011); Kouki and Guizani (2009). Institutional investors aim to reduce risk by spreading their investments across various firms and industries. For EAC-listed firms, institutional investors may view them as just one part of their overall investment strategy. As a result, they may prioritize capital gains over dividend income, focusing on long-term growth potential rather than immediate cash flow. Investors often target firms with high growth potential to maximize returns for their clients or beneficiaries. Such growth-oriented firms typically

reinvest a significant portion of their earnings into research and development, expansion, and other value-creating projects. This reinvestment reduces the funds available for dividend payouts, which may deter institutional investors seeking immediate dividend income. Tax considerations can also play a role in the negative effect of institutional ownership on dividend payout policy. Dividends are often subject to taxation, which can reduce the net returns received by institutional investors and their clients. Depending on the tax laws in the EAC countries, institutional investors may prefer firms that retain earnings rather than distributing them as dividends. Retaining earnings allows firms to reinvest in their operations or finance expansion projects, potentially leading to capital appreciation without immediate tax implications. Furthermore, the preferences and requirements of institutional investors can impact dividend payout policy. While some investors may prioritize firms that distribute dividends to generate regular income, others may prioritize firms that reinvest earnings to fuel growth and achieve higher overall returns. Institutional investors may favor firms that align with their specific investment objectives, which may not necessarily involve high dividend payouts. Consequently, this can contribute to the negative effect of institutional ownership on dividend payout policy among EAC-listed firms

5.1.2 Effect of managerial ownership on dividend payout policy among firms listed in the EAC

The study's second specific objective was to analyze the effect of managerial ownership on dividend payout policy among firms listed in EAC. The findings revealed that managerial ownership had a negative and significant effect on dividend payout policy among firms listed in EAC ($\beta = -0.4469$*; $\rho < 0.05$)*; *suggesting* that when managerial ownership goes up the dividend payout policy also decreases. This result is in agreement with the results done by Mirza & Azfa (2010); Kulathunga and Azeez (2016)

and contracted with another study done by Vo and Nguyen (2014); Miko & Kamardin (2015). Managers with significant ownership stakes may prioritize their own interests over those of shareholders when making dividend decisions. They may prefer to retain earnings within the company to fund their own projects, increase their control, or enhance their personal wealth rather than distributing dividends to shareholders. Another factor contributing to the negative effect is the managerial agency problem. Managers may be inclined to pursue growth and expansion at the expense of dividend payouts. By retaining earnings, they can invest in the company's operations, research and development, or acquisitions, which they believe will increase the firm's value in the long run. This may result in lower dividend payouts as a means of financing these growth initiatives. Additionally, the cultural and economic context of the EAC countries can influence the negative effect of managerial ownership on dividend payout policy. In some cases, there may be a prevalent ownership concentration among managers, leading to a lack of external monitoring and accountability. This concentration of power can enable managers to prioritize their own interests and control the firm's resources, including earnings, rather than distributing them as dividends. Moreover, the legal and regulatory environment in the EAC countries can play a role in the negative effect of managerial ownership on dividend payout policy. Weak corporate governance frameworks, inadequate disclosure requirements, or lax enforcement mechanisms may allow managers to manipulate dividend decisions in their favor, suppressing dividend payouts and benefiting from retained earnings.

5.1.3 Effect of government ownership on dividend payout policy among firms listed in the EAC

The study’s third specific objective was to analyze the effect of government ownership on dividend payout policy among firms listed in EAC. The findings revealed that

government ownership had a positive and significant effect on dividend payout policy among firms listed in EAC (β= 0.6926*; ρ< 0.05)*; *suggesting* that when government ownership goes up the dividend payout policy also increases. This result is in agreement with a study done by Jain (2022); and contradicted the findings of Duygun, Guney & Moin (2018). One reason for the positive effect is the government's interest in providing returns to its shareholders, which often includes the public or taxpayers. Governments may prioritize distributing dividends from state-owned enterprises as a means of generating revenue for public welfare and development initiatives (Jain 2022). Dividend payouts can contribute to economic growth, reduce budget deficits, and benefit the overall economy, which aligns with the government's objectives. Government ownership can also provide stability and predictability in dividend payments. State-owned enterprises are often subject to government oversight and control, which can result in a reliable and consistent dividend policy. Governments may establish dividend payment guidelines or regulations that require state-owned firms to distribute a certain portion of their profits as dividends. This predictability can attract investors and contribute to a positive effect on dividend payout policy. Additionally, government ownership can offer a level of security and trust to investors. Investors may perceive state-owned enterprises as having a lower risk of financial distress or bankruptcy due to the backing and support of the government. This perception of stability can positively influence dividend payout policy as investors have confidence in the ability of government-owned firms to generate and distribute dividends. The presence of government ownership can also foster a long-term perspective on dividend policy. Governments typically have a longer investment horizon and may prioritize sustainable growth and stability over short-term profit maximization. As a result, they may encourage state-owned firms to adopt a dividend policy that balances current

income generation with future growth and investment needs. This long-term perspective can contribute to a positive effect on dividend payout policy. Moreover, government ownership can facilitate the alignment of national economic objectives with dividend policy. Governments often have strategic interests in key industries or sectors, and through ownership, they can influence dividend decisions to support broader economic goals. Dividend payouts can be directed toward specific sectors, regions, or initiatives that promote economic development, job creation, or infrastructure investment

5.1.4 Effect of foreign ownership on dividend payout policy among firms listed in the EAC

The study's fourth specific objective was to analyze the effect of foreign ownership on dividend payout policy among firms listed in EAC. The findings revealed that foreign ownership had a positive and significant effect on dividend payout policy among firms listed in EAC ($\beta = 0.2440$*; $\rho < 0.05$)*; *suggesting* that when foreign ownership goes up the dividend payout policy also increases. This result is in agreement with the results done by Chai (2010), Setiawan *et al.*, (2016), and Musallam & Lin (2019) and contradicted the findings of Al-Najjar and Kilincarslan (2016). Foreign investors often seek regular and stable income from their investments. Dividends provide a tangible return on their investment and are an important factor in their investment decision-making process. Consequently, firms with significant foreign ownership may be more inclined to distribute dividends to attract and retain foreign investors. Foreign ownership can also introduce higher corporate governance standards and transparency requirements. Many foreign investors have rigorous expectations for corporate governance practices, including transparent financial reporting and dividend policies. Firms with foreign ownership may face pressure to adopt and maintain sound dividend

payout policies to meet these expectations and enhance investor confidence. Moreover, foreign ownership can bring in international best practices and expertise in capital allocation. Foreign investors often have experience and knowledge in optimizing capital allocation and financial management. They may encourage firms to distribute dividends as a means of efficiently utilizing excess cash and avoiding inefficient investment decisions. This can lead to higher dividend payouts and better capital allocation strategies among firms with foreign ownership.

Another factor contributing to the positive effect is the potential impact of foreign ownership on the availability of capital and access to international markets. Foreign investors can provide access to capital markets, which can enable firms to raise funds for growth and expansion. By distributing dividends, firms can enhance their reputation and attractiveness to foreign investors, thereby increasing their ability to access capital and finance future projects. Additionally, the presence of foreign ownership can enhance corporate governance and oversight. Foreign investors often bring with them independent board members, external auditors, and stricter monitoring mechanisms. This increased oversight can lead to better governance practices and more prudent financial decision-making, including a commitment to regular dividend payouts.

5.1.5 The moderating effect of growth opportunities on the relationship between ownership structure and dividend payout policy

The overall object of the study was to examine whether growth opportunities moderate the relationship between ownership structure and dividend payout policy.

5.1.5.1 Moderating Effect of growth opportunities on the relationship between Institutional ownership and dividend payout policy among firms listed in the EAC

The study's first moderating objective was to analyze the moderating effect of growth opportunities on the relationship between institutional ownership and dividend payout policy among firms listed in EAC. The regression results indicated that the interaction term of growth opportunities and institutional ownership had a negative and significant effect on dividend payout policy among firms listed in EAC ($\beta = -0.0732;\ \rho < 0.05$).; suggesting that when growth opportunities moderate the relationship between institution ownership and the dividend payout policy. This result is in agreement with the results done by Myers (1984). High-growth firms often require substantial reinvestment of earnings to finance their expansion and capital-intensive projects. Institutional investors, with their focus on long-term growth potential, may be more inclined to invest in these high-growth firms. However, this investment strategy may lead to a lower proportion of earnings being allocated to dividend payouts. As growth opportunities increase, institutional investors may prioritize retaining earnings for reinvestment rather than distributing them as dividends. Secondly, institutional investors typically have diversified portfolios, aiming to reduce risk by spreading their investments across different firms and industries. In the case of high-growth firms with substantial growth opportunities, institutional investors may view dividend payouts as a signal that the firm is not adequately reinvesting in its growth potential. Therefore, they may prefer firms that prioritize reinvestment over dividend distributions, leading to a negative effect on dividend payout policy.

Additionally, growth opportunities are often associated with uncertainty and risk. High-growth firms may operate in dynamic industries or face intense competition, which requires substantial investments to maintain their growth trajectory. Institutional

investors, cognizant of these risks, may perceive dividend payouts as reducing the firm's financial flexibility to seize growth opportunities or weather potential challenges. Consequently, they may prefer firms to retain earnings for growth purposes, resulting in a negative effect on dividend payout policy.

5.1.5.2 Moderating Effect of growth opportunities on the relationship between managerial ownership and dividend payout policy among firms listed in the EAC

The study's second moderating objective was to analyze the moderating effect of growth opportunities on the relationship between managerial ownership and dividend payout policy among firms listed in EAC. The regression results indicated that the interaction term of growth opportunities and managerial ownership had a positive and significant effect on dividend payout policy among firms listed in EAC ($\beta = 0.1982; \rho < 0.05$).; *suggesting* that when growth opportunities moderates the relationship between managerial ownership and the dividend payout policy (Seyed *et al.*, (2013). When firms have high growth opportunities, it often indicates their potential for generating higher future cash flows. Managers with significant ownership stakes have a vested interest in maximizing shareholder value and may recognize the value of distributing a portion of these increased cash flows as dividends. As a result, they may prioritize dividend payouts as a means of sharing the benefits of the firm's growth with shareholders. Managerial ownership aligns the interests of managers and shareholders, as managers with substantial ownership stakes have a personal stake in the firm's success. When growth opportunities arise, managers may perceive dividend payouts as a way to signal the firm's positive outlook and enhance investor confidence. By distributing dividends, managers can demonstrate their commitment to providing tangible returns to shareholders and strengthen the alignment of interests between themselves and other investors.

Additionally, higher managerial ownership often implies a higher level of control and influence over dividend decisions. Managers with significant ownership stakes may have greater autonomy in determining the dividend payout policy and can shape it according to their preferences and beliefs. If managers perceive that the firm's growth opportunities are robust and sustainable, they may be more inclined to distribute dividends to shareholders as a means of capitalizing on the positive growth prospects.

5.1.5.3 Moderating Effect of growth opportunities on the relationship between government ownership and dividend payout policy among firms listed in the EAC

The study's third moderating objective was to analyze the moderating effect of growth opportunities on the relationship between government ownership and dividend payout policy among firms listed in EAC. The regression results indicated that the interaction term of growth opportunities and government ownership had a negative and significant effect on dividend payout policy among firms listed in EAC (β= *-0.1490;* ρ< *0.05*).; suggesting that when growth opportunities moderate the relationship between government ownership and the dividend payout policy (Myers and Majluf, 1984), Holder *et al*., (1998), Gul & Kealey (1999), Ho (2003), and Aivazian *et al*., (2003). When firms have high growth opportunities, governments may view retaining earnings as a means of financing these opportunities and promoting economic growth. Consequently, government-owned firms may be more inclined to allocate earnings towards growth investments rather than distributing them as dividends.

Government ownership can introduce political considerations into dividend decisions. Governments may use state-owned enterprises as instruments to achieve broader political goals, such as job creation or industrial development. In the presence of high growth opportunities, governments may prioritize reinvestment of earnings to support these objectives rather than distributing dividends. Political motives can outweigh the

immediate returns to shareholders, resulting in a negative effect on dividend payout policy. Additionally, the long-term perspective of government ownership can influence dividend decisions. Governments often have a broader investment horizon and may prioritize sustainable growth over short-term profit maximization. When firms have significant growth opportunities, governments may view retaining earnings and reinvesting them as a means of fueling long-term growth and maximizing the overall benefits for the economy. This long-term perspective may lead to a reduced emphasis on dividend payouts. Moreover, government ownership can introduce additional layers of bureaucracy and decision-making processes, potentially leading to delays or conflicting interests in dividend distributions. Dividend decisions in government-owned firms may be subject to bureaucratic approval, which can impede timely and efficient payouts. Conflicting interests between government officials, stakeholders, and other parties involved in decision-making can further contribute to a negative effect on dividend payout policy

5.1.5.4 Moderating Effect of growth opportunities on the relationship between foreign ownership and dividend payout policy among firms listed in the EAC

The study's fourth moderating objective was to analyze the moderating effect of growth opportunities on the relationship between foreign ownership and dividend payout policy among firms listed in EAC. The regression results indicated that the interaction term of growth opportunities and foreign ownership had a negative and significant effect on dividend payout policy among firms listed in EAC ($\beta = -0.2777;\ \rho < 0.05$).; suggesting that when growth opportunities moderate the relationship between foreign ownership and the dividend payout policy (Al-Najjar & Hussainey, 2009). Foreign investors often prioritize long-term growth and capital appreciation over immediate dividend income. When firms have high growth opportunities, foreign investors may

perceive the potential for future capital gains and prefer that companies retain earnings for reinvestment. They may view dividend payouts as reducing the funds available for growth initiatives and prefer firms that prioritize reinvestment to maximize long-term returns. Foreign ownership introduces external monitoring and corporate governance standards. Foreign investors often have higher expectations for corporate governance practices, including transparent financial reporting and sound dividend policies. In the presence of growth opportunities, foreign investors may advocate for retaining earnings to support future expansion, as it aligns with their focus on long-term value creation rather than short-term dividends.

Additionally, growth opportunities are often associated with higher risk and uncertainty. Firms with significant growth prospects may require substantial investments and face competitive challenges. Foreign investors, mindful of these risks, may perceive dividend payouts as reducing the financial flexibility and ability of the firm to seize growth opportunities or withstand potential setbacks. Consequently, they may prefer firms to retain earnings for growth purposes, leading to a negative effect on dividend payout policy. Moreover, foreign investors often bring in expertise and international best practices in capital allocation. They may prioritize efficient capital allocation and encourage firms to reinvest earnings in growth initiatives rather than distributing them as dividends. The influence of foreign ownership can lead to a reduced emphasis on dividend payouts in the presence of growth opportunities.

5.2 Conclusion

The research findings reveal that institutional ownership has a negative and significant effect on dividend payout policy among firms listed in the East Africa Community (EAC). This implies that as institutional ownership increases, firms tend to distribute fewer dividends to shareholders. The presence of institutional investors, with their

focus on long-term growth and capital appreciation, leads to a prioritization of reinvestment and retention of earnings for future growth opportunities rather than distributing them as dividends. This finding highlights the influence of institutional investors in shaping the dividend policies of EAC-listed firms, emphasizing their preference for capital retention and reinvestment to maximize long-term shareholder value.

Moreover, the research findings demonstrate that managerial ownership has a negative and significant effect on dividend payout policy among firms listed in the East Africa Community (EAC). This suggests that as managerial ownership increases, firms are inclined to distribute fewer dividends to shareholders. Managers with significant ownership stakes have a vested interest in maximizing shareholder value and may prioritize retaining earnings for reinvestment rather than distributing them as dividends. This finding highlights the impact of managerial ownership on dividend decisions, indicating that managers with higher ownership stakes tend to prioritize long-term growth and value creation over immediate dividend payouts. It underscores the alignment of interests between managers and shareholders and their focus on capital reinvestment to support the firm's growth opportunities and enhance long-term shareholder value.

Based on the research findings, it can be concluded that foreign ownership has a positive and significant effect on dividend payout policy among firms listed in the East Africa Community (EAC). The presence of foreign investors is associated with a greater likelihood of higher dividend distributions to shareholders. Foreign investors, driven by their focus on capital appreciation and long-term value creation, recognize the importance of dividends as a means to share profits with shareholders. This finding suggests that foreign ownership encourages firms to adopt a more shareholder-friendly

approach by prioritizing dividend payouts, which can enhance investor confidence, attract more investment, and potentially reduce the cost of capital. The research highlights the positive impact of foreign ownership on dividend payout policy in the EAC, emphasizing the role of international investors in shaping corporate financial decisions and shareholder value creation.

It can also be concluded that growth opportunities play a moderating role in the relationship between ownership structure and dividend payout policy among firms listed in the East Africa Community (EAC). The research indicates that ownership structure, such as government ownership, institutional ownership, foreign ownership, and managerial ownership, influences dividend payout policy indirectly through its impact on growth opportunities. Specifically, firms with higher ownership retention and greater reliance on internal financing tend to prioritize reinvestment for growth rather than distributing dividends. This suggests that as ownership structure affects the availability of internal funds for growth opportunities, it subsequently influences dividend payout decisions. The findings highlight the importance of considering growth opportunities as a mechanism through which ownership structure shapes dividend policy, emphasizing the interplay between ownership structure, growth opportunities, and dividend payout policy in the EAC.

5.3 Recommendations

5.3.1 Managerial recommendation

Managers play a critical role in navigating the complexities of decision-making concerning financing growth opportunities and dividend payments, requiring a deep understanding of the diverse interests held by shareholders. Shareholders can be broadly categorized into those seeking capital appreciation and those reliant on consistent dividends for income. Capital appreciation shareholders prioritize the

company's long-term growth potential and are amenable to reinvesting profits into strategic initiatives. In contrast, income-oriented shareholders rely on regular dividend payouts to meet financial goals. Managers must consider these varying preferences when deciding on financing strategies for growth, as well as the allocation of profits for dividend distribution.

Managers should carefully consider the ownership structure of their firms. Encouraging managerial ownership can align the interests of managers with those of shareholders, fostering a sense of stewardship and long-term value creation. By having a significant stake in the company, managers are more likely to prioritize shareholder value and make decisions that benefit both the firm and its investors. Secondly, managers should proactively identify and evaluate growth opportunities. By conducting thorough market analysis and assessing internal capabilities, managers can identify areas for potential expansion and value creation. It is crucial to strike a balance between investing in growth initiatives and maintaining a sustainable dividend payout policy. Managers should carefully evaluate the potential returns on investment and consider the financial implications of growth projects on the firm's ability to distribute dividends. Furthermore, managers should adopt a strategic approach to capital allocation. They should prioritize investments that have a high likelihood of generating sustainable long-term returns. This may involve selecting projects that align with the firm's growth objectives and are capable of enhancing its competitive position in the market. By effectively allocating capital, managers can maximize growth opportunities while maintaining an appropriate dividend payout policy that satisfies the expectations of shareholders. Additionally, managers should focus on effective communication and transparency regarding dividend payout policy. Clear communication of the firm's growth strategy, capital allocation decisions, and dividend distribution plans can help

manage shareholder expectations and build trust. Providing regular updates on the firm's financial performance, growth prospects, and future dividend projections can help investors understand and appreciate the rationale behind dividend payout decisions. Lastly, managers should remain cognizant of the regulatory and legal framework governing dividend payouts within the EAC. Staying informed about any changes in regulations and compliance requirements is essential to ensure that dividend distributions are in accordance with the local laws and regulations.

5.3.2 Policy recommendation

When formulating corporate governance codes for listed firms, regulators must take into account a multifaceted approach that acknowledges not only the role of corporate owners but also the intricate dynamics of the firm itself, including growth opportunities. Corporate governance codes serve as essential frameworks that guide the behavior and accountability of companies' boards, management, and shareholders. Recognizing the role of corporate owners—such as institutional investors, individual shareholders, and controlling shareholders—helps ensure that decision-making processes are transparent, ethical, and aligned with the long-term interests of the organization and its stakeholders. Additionally, firm dynamics like growth opportunities need consideration, as they can significantly impact governance needs. Rapid growth phases demand agility and effective risk management, necessitating governance practices that support innovation while safeguarding the interests of shareholders. Striking the right balance between ownership structure, board composition, and growth-oriented strategies is crucial for sustainable corporate performance. By integrating these factors into governance codes, regulators can create frameworks that promote responsible stewardship, strategic decision-making, and value creation for both firms and their shareholders.

Policymakers should encourage and facilitate a diversified ownership structure. Promoting a healthy mix of institutional, managerial, government, and foreign ownership can foster a balance of interests and perspectives. This diversification can help mitigate conflicts and enhance accountability, ensuring that decision-making takes into account the diverse needs of stakeholders. Policymakers can consider implementing regulations that promote transparency, disclosure, and fairness in ownership structures to foster investor confidence. Secondly, policies should be designed to encourage and support growth opportunities for firms. Governments can create an enabling environment by implementing favorable regulations and providing incentives for research and development, innovation, and entrepreneurship. This can stimulate economic growth and attract domestic and foreign investment. Policies that facilitate access to capital, such as promoting venture capital funding or establishing development banks, can also support firms in pursuing growth opportunities. Furthermore, policymakers should foster a conducive environment for dividend payout policies. This involves striking a balance between reinvestment for growth and distribution of dividends to shareholders. Regulations should ensure that firms have the flexibility to allocate earnings for sustainable growth initiatives, while also promoting transparency and accountability in dividend decision-making. Policymakers can consider setting guidelines or frameworks that provide guidance on dividend payout ratios, disclosure requirements, and shareholder rights. Additionally, policies should focus on strengthening corporate governance practices. This includes promoting independent board structures, enhancing transparency in financial reporting, and ensuring robust internal control systems. Strong corporate governance mechanisms can help align the interests of managers with shareholders, mitigate agency problems, and

enhance decision-making processes related to growth opportunities and dividend payout policy.

5.3.3 Theoretical recommendation

Agency theory suggests that the ownership structure of a firm plays a crucial role in influencing managerial behavior and decision-making. When ownership is concentrated, as in the case of government or institutional ownership, agency problems can arise due to the divergence of interests between managers and shareholders. These conflicts can influence growth opportunities and dividend payout policies as managers may prioritize their own objectives over the interests of shareholders. Agency theory highlights the importance of aligning managerial incentives with shareholder interests. Managers are considered agents who act on behalf of shareholders, and their decisions may be influenced by self-interest or risk aversion. Incentive mechanisms such as executive compensation packages can be designed to align managerial actions with the long-term goals of shareholders, encouraging managers to pursue growth opportunities that maximize shareholder value while considering the appropriate dividend payout policy. Furthermore, agency theory emphasizes the need for effective monitoring mechanisms to mitigate agency problems. Boards of directors, composed of independent and competent members, can oversee managerial actions and ensure accountability. Through their monitoring role, boards can assess growth opportunities, evaluate the appropriateness of dividend payouts, and intervene when conflicts of interest arise. Additionally, external audits, disclosure requirements, and regulatory frameworks can provide further monitoring and transparency, reducing information asymmetry and potential agency conflicts. Moreover, agency theory implies that shareholders should actively participate in corporate governance processes. Shareholder activism can help address agency problems by allowing shareholders to

voice their concerns, propose changes, and influence decision-making related to ownership structure, growth opportunities, and dividend payout policies. This active engagement can foster a sense of ownership and ensure that managers act in the best interests of shareholders.

In terms of ownership structure, the pecking order theory implies that firms prioritize internal sources of financing, such as retained earnings or self-generated cash flows, to fund their growth opportunities. This preference arises from the belief that internal financing is less costly and avoids potential agency problems associated with external financing. As a result, firms with higher ownership retention are more likely to rely on retained earnings to finance growth opportunities rather than seeking external investors or debt financing.

Secondly, the pecking order theory has implications for growth opportunities. Firms with high growth opportunities may face a higher demand for financing due to the need for capital investments. However, instead of resorting to external financing, these firms prefer to rely on internal funds. This is because external financing, such as issuing equity or taking on debt, can be perceived as a signal of information asymmetry or adverse selection. Firms may be concerned that external investors will interpret the need for financing as a negative signal about the firm's growth prospects, potentially leading to adverse effects on the stock price or borrowing costs.

Furthermore, the pecking order theory has implications for dividend payout policy. Firms following the pecking order theory prioritize internal financing and prefer to retain earnings for investment purposes rather than distributing them as dividends. This is consistent with the notion that firms prefer to exhaust internal funds before considering external financing. As a result, firms with higher growth opportunities may

have lower dividend payout ratios as they prioritize reinvestment to support their growth initiatives.

Moreover, the pecking order theory suggests that ownership structure, growth opportunities, and dividend payout policy are interconnected. Firms with higher ownership concentration and greater reliance on internal financing may have more control over their growth opportunities and dividend decisions. These firms prioritize retaining earnings for investment purposes, which can lead to reduced dividend payouts. Additionally, the theory suggests that firms' financing preferences and dividend policies are driven by the availability of internal funds and the perceived costs of external financing.

5.4 Limitations of the study and Further Research Recommendations

The study's major limitation is that it only considered listed companies in the EAC. Hence, future studies may consider non-listed firms, which may shed more light on the generalizability of the findings. Also, future research studies can delve into the mechanisms through which ownership structure influences growth opportunities and dividend payout policy. Investigating the mediating or moderating factors that explain the relationship between ownership structure and these outcomes can shed light on the underlying processes. For example, studying the role of corporate governance mechanisms, managerial discretion, or external market conditions can help identify the channels through which ownership structure affects growth opportunities and dividend policy.

Furthermore, additional research can explore the contextual factors that shape the relationship between ownership structure, growth opportunities, and dividend payout policy in the EAC. Factors such as industry characteristics, legal and regulatory

frameworks, economic conditions, and cultural contexts can influence the outcomes and dynamics of these relationships. Understanding the contextual nuances can provide valuable insights into how ownership structure interacts with the specific conditions and dynamics within the EAC region.

Moreover, future research can also investigate the impact of ownership structure on other firm-level outcomes, such as financial performance, firm value, and market competitiveness. Exploring the broader implications of ownership structure on these dimensions can provide a comprehensive assessment of the overall impact of ownership on firm-level outcomes in the EAC.

Lastly, it is recommended to explore the role of agency dynamics and information asymmetry in shaping the relationship between ownership structure, growth opportunities, and dividend payout policy. Agency conflicts between managers and shareholders, as well as information asymmetry between insiders and external investors, can significantly influence decision-making processes. Examining these dynamics can help understand the underlying mechanisms and potential mitigating strategies to enhance the alignment of interests and decision-making efficiency

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APPENDICES

Appendix I: Target Population: Firms Listed in East Africa

Appendix I (a): Nairobi Security exchange

No.	Company	Sector	Year listed
1	Eaagads Limited	Agriculture	1972
2	Kakuzi Limited	Agriculture	1951
3	Kapchorua Tea Factory Limited	Agriculture	1972
4	Limuru Tea Kenya Limited	Agriculture	1967
5	Sasini Limited	Agriculture	1965
6	Williamson Tea Kenya Limited	Agriculture	1972
7	Rea Vipingo Plantations Limited	Agriculture	1998
8	Car and General (Kenya) Limited	Automobiles and Accessories	1950
9	Sameer Africa	Automobiles and Accessories	1994
10	Marshalls (E.A) Limited	Automobiles and Accessories	1987
11	Barclays Bank of Kenya Limited	Banking	1986
12	CFC Stanbic of Kenya Holdings Limited	Banking	1970
13	Diamond Trust Bank of Kenya Limited	Banking	1972
14	Equity Group Holdings Limited	Banking	2006
15	Housing Finance Group Limited	Banking	1992
16	I&M Holdings Limited	Banking	2013
17	KCB Group Limited	Banking	1989
18	National Bank of Kenya Limited	Banking	1994
19	NIC Group PLC	Banking	1971
20	Standard Chartered Bank Kenya Limited	Banking	1988
21	The cooperative Bank of Kenya Limited	Banking	2008
22	Atlas African Industries Limited	Commercial and Service	2014
23	Express Kenya Limited	Commercial and Service	1978
24	Kenya Airways Limited	Commercial and Service	1996
25	Longhorn Publishers Limited	Commercial and Service	2012
26	Nairobi Business Ventures Limited	Commercial and Service	2016
27	National Media Group Limited	Commercial and Service	1973
28	Standard Group Limited	Commercial and Service	1954
29	TPS Eastern Africa Limited	Commercial and Service	1997
30	Uchumi Supermarket Limited	Commercial and Service	1992
31	WPP Scan Group Limited	Commercial and Service	2006
32	Deacons East Africa PLC	Commercial and Service	2016

33	Hutchings Biemer Limited	Commercial and Service	1993
34	Athi River Mining Cement Limited	Construction &Allied	1997
35	Bamburi Cement Limited	Construction &Allied	1951
36	Crown Paints Kenya Limited	Construction &Allied	1992
37	E.A Cables Limited	Construction &Allied	1973
38	E.A Portland Cement Company Limited	Construction &Allied	1972
39	Ken Gen Company Limited	Energy and Petroleum	2006
40	Kenol Kobil Limited	Energy and Petroleum	1959
41	Kenya Power &Lighting Company Limited	Energy and Petroleum	1954
42	Total Kenya Limited	Energy and Petroleum	1988
43	Umeme Limited	Energy and Petroleum	2012
44	Britam Holdings Limited	Insurance	2011
45	CIC Insurance Group Limited	Insurance	2012
46	Jubilee Holdings Limited	Insurance	1984
47	Kenya Reinsurance Corporation Limited	Insurance	2006
48	Liberty Kenya Holdings Limited	Insurance	2007
49	Pan Africa Insurance Holdings Limited	Insurance	1963
50	Centum Investment Company Limited	Investment	1977
51	Home Afrika Limited	Investment	2013
52	Kurwitu Ventures Limited	Investment	2014
53	Olympia Capital Holdings Limited	Investment	1974
54	Trans-Century Limited	Investment	2011
55	Nairobi Securities Exchange Limited	Investment Services	2014
56	B.O.C Kenya Limited	Manufacturing and allied	1969
57	British American Tobacco Kenya Limited	Manufacturing and allied	1969
58	Carbacid Investments Limited	Manufacturing and allied	1972
59	East African Breweries Limited	Manufacturing and allied	1972
60	Eveready East Africa Limited	Manufacturing and allied	2006
61	Flame Tree Group Holdings Limited	Manufacturing and allied	2015
62	Kenya Orchards Limited	Manufacturing and allied	1959
63	Mumias Sugar Company Limited	Manufacturing and allied	2001
64	Baumann Company limited	Manufacturing and allied	1976
65	Unga Group Limited	Manufacturing and allied	1971
66	Safaricom Limited	Telecommunication and Technology	2008
67	Stanlib Fahari I-Reit	Real Estate Investment Trust	2015

Appendix I (b); Uganda Security Exchange

No.	Company	**Sector**	**Year**
1	BAT Uganda Ltd	Consumer Goods	2000
2	East African Breweries Ltd	Consumer Goods	2001
3	Kenya Airways	Consumer Services	2002
4	Nation Media Group	Consumer Services	2010
5	Uchumi Supermarkets	Consumer Services	2013
6	Vision Group	Consumer Services	2004
7	Bank of Baroda (Uganda) Ltd	Banking	2002
8	Centum Investment	Investment	2011
9	DFCU Ltd	Banking	2004
10	Equity Group	Banking	2009
11	Jubilee Holdings Ltd	Insurance	2006
12	Kenya Commercial Bank Ltd	Banking	2008
13	NIC Holdings	Banking	2010
14	Stanbic Bank Uganda Ltd	Banking	2007
15	Cipla Quality Chemical Industries Ltd	Health Care	2018
16	Uganda Clays Ltd	Industrials	2000
17	Umeme Ltd	Utilities	2012

Appendix I (c); Tanzania Security Exchange

No.	**Company**	**Sector**	**Year**
1	TOL Gases	Basic Materials	1998
2	East African Breweries	Consumer Goods	2005
3	Jatu	Consumer Goods	2020
4	Tanzania Breweries	Consumer Goods	1998
5	Tanzania Cigarette Company	Consumer Goods	2000
6	Tanzania Tea Packers (TATEPA)	Consumer Goods	1999
7	Kenya Airways	Consumer Services	2004
8	Nation Media Group	Consumer Services	2011
9	Precision Air Services	Consumer Services	2011
10	Uchumi Supermarket	Consumer Services	2014
11	CRDB Bank	Banking	2009
12	Dar es Salaam Commercial Bank	Banking	2008
13	KCB Group	Banking	2008
14	Maendeleo Bank	Banking	2013
15	Mkombozi Commercial Bank	Banking	2015
16	Mucoba Bank	Banking	2016
17	Mwalimu Commercial Bank	Banking	2015
18	National Microfinance Bank Plc	Banking	2008
19	Yetu Microfinance	Banking	2016

20	Jubilee Holdings	Insurance	2006
21	National Investments Company (NICOL)	Mutual Fund	2018
22	TCCIA Investment	Mutual Fund	2018
23	Dar es Salaam Stock Exchange	Stock Exchange	2016
24	Swissport Tanzania	Industrials	2003
25	Tanga Cement Company	Industrials	2002
26	Tanzania Portland Cement Company	Industrials	2006
27	Swala Oil and Gas (Tanzania)	Oil & Gas	2014
28	Vodacom Tanzania	Telecom	2017

Appendix 1 (d); Rwanda Security Exchange

No.	**Company**	**Sector**
1	Bralirwa	Consumer Goods
2	Nation Media Group	Consumer Services
3	Uchumi Supermarkets	Consumer Services
4	BK Group	Financials
5	Equity Group	Financials
6	I&M Bank Rwanda	Financials
7	KCB Group	Financials
8	RH Bophelo	Health Care
9	CIMERWA	Industrials
10	Crystal Telecom	Telecommunications

Appendix II: Data Collection Schedule

				Years from 2011-2021														
Company	**Variable**	**Indicator**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2018**	**2019**	**2020**	**2021**
	Dividend payout ratio	Cash dividend per share (DPS)																
		Earnings per share (EPS)																
	Institutional ownership	Total shareholding																
		No. shares held by institutional investors																
	Managerial ownership	Total shareholding																
		No. shares held by managers and board members																
	Government ownership	Total shareholding																
		No. shares held by government																
	Foreign ownership	Total shareholding																
		No. shares held by foreign investors																
	Growth opportunities	Market value of share, end year																
		Book value of share																
	Firm size	Natural logarithm of total assets																
	Leverage	Total debt																
		Total equity																
	Firm Performance	Return on assets																

Appendix III: Data Results

Fixed-effects (within) regression	Number of obs	= 627
Group variable: ID	Number of groups	= 57
R-sq: within = 0.2251	Obs per group: min	= 11
between = 0.2483	avg	= 11.0
overall = 0.2420	max	= 11
	F(4,566)	= 41.11
corr(u_i, Xb) = 0.0247	Prob > F	= 0.0000

DPP	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
FP	.2717009	.0310262	8.76	0.000	.2107603	.3326414
LEV	-.0178002	.0058837	-3.03	0.003	-.0293569	-.0062436
FA	.4770762	.0758776	6.29	0.000	.3280402	.6261121
FS	.0633604	.0108752	5.83	0.000	.0419997	.0847211
_cons	-.4460987	.1145272	-3.90	0.000	-.671049	-.2211484
sigma_u	.19346922					
sigma_e	.12343413					
Rho	.71070728	(fraction of variance due to u_i)				

F test that all u_i=0: F(56, 566) = 23.91 Prob > F = 0.0000

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size.

Source: Field data (2023)

Fixed-effects (within) regression	Number of obs	= 627
Group variable: ID	Number of groups	= 57
R-sq: within = 0.3601	Obs per group: min	= 10
between = 0.2174	Avg	= 11.0
overall = 0.2333	Max	= 11
	F(8,562)	= 39.47
corr(u_i, Xb) = -0.4524	Prob > F	= 0.0000

DPP	Coef.	Std. Err.	t	P>t	[95% Conf.	Interval]
FP	.2182857	.0289557	7.54	0.000	.1614109	.2751604
LEV	-.0223979	.0054356	-4.12	0.000	-.0330745	-.0117214
FA	.4559096	.071087	6.41	0.000	.3162805	.5955388
FS	.0610605	.0099055	6.16	0.000	.041604	.0805169
MOWN	-.4469266	.1029344	-4.34	0.000	-.6491106	-.2447426
GOWN	.6926045	.0957452	7.23	0.000	.5045417	.8806673
FOWN	.2439549	.0846312	2.88	0.004	.0777222	.4101876
IOWN	-.1249713	.0411984	-3.03	0.003	-.2058933	-.0440494
_cons	-.395909	.1077158	-3.68	0.000	-.6074845	-.1843335
sigma_u	.22531294					
sigma_e	.11230918					
Rho	.80098617	(fraction of variance due to u_i)				

F test that all u_i=0: F(56, 562) = 27.89 Prob > F = 0.0000

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; GOWN, government ownership; FOWN, foreign ownership; IOWN, institutional ownership.

Source: Field data (2023)

Random-effects GLS regression	Number of obs	= 627
Group variable: ID	Number of groups	= 57
R-sq: within = 0.3684	Obs per group: min	= 10
between = 0.2661	Avg	= 11.0
overall = 0.2800	Max	= 11
	Wald chi2(9)	= 333.91
corr(u_i, X) = 0 (assumed)	Prob > chi2	= 0.0000

DPP	Coef.	Std. Err.	Z	P>z	[95% Conf.	Interval]
FP	.2340278	.0283556	8.25	0.000	.1784519	.2896038
LEV	-.025006	.0051654	-4.84	0.000	-.0351301	-.0148819
FA	.3925933	.068465	5.73	0.000	.2584044	.5267823
FS	.0520204	.0093111	5.59	0.000	.0337709	.0702699
MOWN	-.4182977	.0980221	-4.27	0.000	-.6104175	-.2261779
GOWN	.4984262	.0811509	6.14	0.000	.3393734	.6574791
FOWN	.2121038	.0763587	2.78	0.005	.0624435	.3617641
IOWN	-.1063284	.0391827	-2.71	0.007	-.183125	-.0295318
GOP	-.0467688	.0125853	-3.72	0.000	-.0714355	-.0221021
_cons	-.2586741	.1031509	-2.51	0.012	-.4608462	-.056502
sigma_u	.18166001					
sigma_e	.11125467					
Rho	.72723317	(fraction of variance due to u_i)				

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; GOWN, government ownership; FOWN, foreign ownership; IOWN, institutional ownership; GOP, growth opportunities.

Source: Field data (2023)

Random-effects GLS regression	Number of obs	= 627
Group variable: ID	Number of groups	= 57
R-sq: within = 0.3668	Obs per group: min	= 11
between = 0.2690	avg	= 11.0
overall = 0.2816	max	= 11
	Wald chi2(9)	= 332.28
corr(u_i, X) = 0 (assumed)	Prob > chi2	= 0.0000

DPP	Coef.	Std. Err.	z	P>z	[95% Conf.	Interval]
FP	.2342074	.0284415	8.23	0.000	.178463	.2899517
LEV	-.0261377	.0051606	-5.06	0.000	-.0362522	-.0160232
FA	.3500216	.0670826	5.22	0.000	.218542	.4815011
FS	.0516052	.0093409	5.52	0.000	.0332974	.069913
MOWN	-.4371773	.0972185	-4.50	0.000	-.6277222	-.2466325
GOWN	.5013639	.0812498	6.17	0.000	.3421172	.6606107
FOWN	.2318543	.0730981	3.17	0.002	.0885846	.375124
IOWN	-.1053661	.0390214	-2.70	0.007	-.1818467	-.0288855
GOP	-.0477259	.0126176	-3.78	0.000	-.0724559	-.0229959
_cons	-.2384884	.1030256	-2.31	0.021	-.4404149	-.0365619
sigma_u	.18154725					
sigma_e	.11164747					
Rho	.72558552 (fraction of variance due to u_i)					

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; GOWN, government ownership; FOWN, foreign ownership; IOWN, institutional ownership; GOP, growth opportunities.

Source: Field data (2023)

	---- Coefficients ----			
	(b) fe	(B) Re	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
FP	.215269	.2342074	-.0189384	.0044247
LEV	-.0265844	-.0261377	-.0004467	.0017207
FA	.3829457	.3500216	.0329241	.0174354
FS	.0592259	.0516052	.0076207	.0031402
MOWN	-.4605078	-.4371773	-.0233305	.0284745
GOWN	.6881232	.5013639	.1867593	.0495944
FOWN	.2638251	.2318543	.0319708	.0312365
IOWN	-.11171	-.1053661	-.0063439	.0120524
GOP	-.0468332	-.0477259	.0008927	.0048624

b = consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic
chi2(9) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 37.22
Prob>chi2 = 0.0000

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; GOWN, government ownership; FOWN, foreign ownership; IOWN, institutional ownership; GOP, growth opportunities.

Source: Field data (2023)

Random-effects GLS regression	Number of obs	= 627
Group variable: ID	Number of groups	= 57
R-sq: within = 0.4133	Obs per group: min	= 11
between = 0.3405	Avg	= 11.0
overall = 0.3498	Max	= 11
	Wald chi2(13)	= 409.71
corr(u_i, X) = 0 (assumed)	Prob > chi2	= 0.0000

DPP	Coef.	Std. Err.	z	P>z	[95% Conf.	Interval]
FP	.2027112	.0279216	7.26	0.000	.147986	.2574365
LEV	-.0242407	.0049989	-4.85	0.000	-.0340384	-.014443
FA	.2869147	.0657102	4.37	0.000	.1581251	.4157044
FS	.0431983	.0092806	4.65	0.000	.0250086	.061388
MOWN	-.410481	.0956069	-4.29	0.000	-.597867	-.223095
GOWN	.5353341	.0797432	6.71	0.000	.3790403	.6916279
FOWN	.1681208	.0713029	2.36	0.018	.0283697	.307872
IOWN	-.0790522	.0382765	-2.07	0.039	-.1540727	-.0040318
GOP	-.0468559	.0129976	-3.60	0.000	-.0723307	-.0213812
MOWN*GOP	.2237564	.0889804	2.51	0.012	.049358	.3981548
GOWN*GOP	-.1544112	.052269	-2.95	0.003	-.2568565	-.0519659
FOWN*GOP	-.2765704	.0595526	-4.64	0.000	-.3932914	-.1598493
IOWN*GOP	-.0757233	.0327622	-2.31	0.021	-.139936	-.0115106
_cons	-.1456447	.1010259	-1.44	0.149	-.3436519	.0523625
sigma_u	.17032561					
sigma_e	.10766329					
Rho	.71451336	(fraction of variance due to u_i)				

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; GOWN, government ownership; FOWN, foreign ownership; IOWN, institutional ownership; GOP, growth opportunities.

Source: Field data (2023)

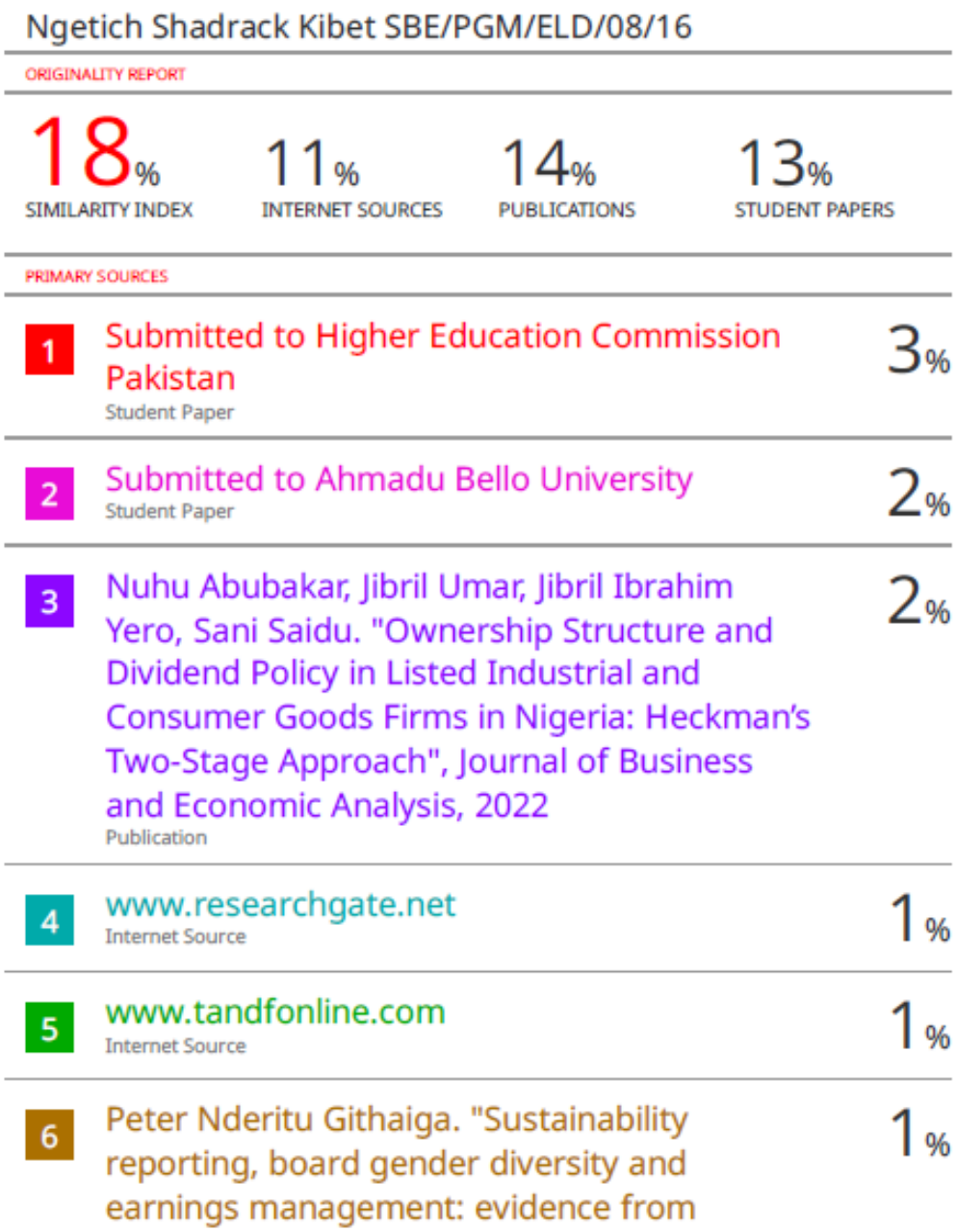
	---- Coefficients ----			
	(b) Fe	(B) Re	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
FP	.1866025	.2027112	-.0161088	.0042754
LEV	-.0247471	-.0242407	-.0005064	.0017124
FA	.3243534	.2869147	.0374387	.0172365
FS	.0513961	.0431983	.0081979	.003213
MOWN	-.4322488	-.410481	-.0217678	.0299238
GOWN	.7461085	.5353341	.2107744	.0510766
FOWN	.1687633	.1681208	.0006425	.0337096
IOWN	-.0852886	-.0790522	-.0062364	.0123164
GOP	-.0469122	-.0468559	-.0000563	.0059435
MOWN*GOP	.1982433	.2237564	-.025513	.0260259
GOWN*GOP	-.1489993	-.1544112	.0054119	.0132095
FOWN*GOP	-.2777412	-.2765704	-.0011708	.0202598
IOWN*GOP	-.0732265	-.0757233	.0024967	.0069436

b = consistent under Ho and Ha; obtained from xtreg
B = inconsistent under Ha, efficient under Ho; obtained from xtreg
Test: Ho: difference in coefficients not systematic
chi2(13) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 42.95
Prob>chi2 = 0.0000
(V_b-V_B is not positive definite)

Notes: DPP, dividend payout policy; FP, firm performance; LEV, leverage; FA, firm age; FS; firm size; MOWN, managerial ownership; GOWN, government ownership; FOWN, foreign ownership; IOWN, institutional ownership; GOP, growth opportunities.

Source: Field data (2023)

Appendix IV: Plagiarism Certificate



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