

An Empirical Analysis Of The Relationship Between Corporate Governance And Dividend Policy Of Pakistan's Listed Firms: The Moderating Role Of Political Instability

**Muhammad Babar Ali Khan¹, Maryam Jabeen², Faiza Faiz Malik³, Aisha Jabeen⁴,
Dr. Muhammad Ilyas⁵, Dr. Junaid Athar Khan⁶, Saeed Akbar⁷,
Saqib Shahzad⁸, Sayyam⁹**

¹MS Scholar, Abdul Wali Khan University, Mardan.

²Lecturer, Institute of Management Sciences, Peshawar.

³Lecturer, Abdul Wali Khan University, Mardan.

⁴Lecturer, Institute of Management Sciences, Peshawar.

⁵Lecturer, Abdul Wali Khan University, Mardan.

⁶Assistant Professor, Abdul Wali Khan University, Mardan.

⁷Demonstrator, Abdul Wali Khan University, Mardan.

⁸Demonstrator, Abdul Wali Khan University, Mardan.

⁹Research Assistant, Abdul Wali Khan University, Mardan.

Abstract

The significant rise in corporate frauds, along with poor regulatory settings and Pakistan's underdeveloped non-financial sector, has created a slew of challenges for businesses. Therefore, this study investigates the impact of corporate governance on the dividend policy of non-financial listed firms of Pakistan for the period 2012-2019. Moreover, Political instability is used as a moderating variable. In two stages the study is performed. The first stage examined the impact of corporate governance on dividend policy and the second stage investigated the moderating role of political instability. Corporate governance is measured through six determinants such as board size, board independence, audit committee size, number of board meetings, management equity holding, and board gender diversity. Dividend policy is measured through dividends divided by net sales and political instability is measured by political stability index. This study used firm size as a control variable. Panel data is used by

applying panel data models for analysis. It is concluded from the first stage that corporate governance has no impact on dividend policy while from the second stage it is concluded that the dividend policy is influenced by corporate governance when political instability moderates the relationship. Political instability has an impact on Pakistan's non-financial industry, so the government should examine it for the non-financial sector's benefit and endeavor to eliminate political instability.

Keywords: Corporate Governance, Political Instability, Dividend Policy, Pakistan Stock Exchange, Non-Financial Firms, Moderating Variable

Introduction

The failure of high-profile firms as a result of insufficient monitoring and accountability mechanisms has increased the focus on corporate governance (CG), which force a strong regulatory structure in corporations (Claessens & Yurtoglu, 2012; Davies & Schlitzer, 2008). Recent financial scandals in the United States (US), including Enron and WorldCom, have exposed the inability of CG systems and excite additional measures to restore investor confidence in the financial system (Elkelish, 2018). CG is critical for the development of a strong and competitive business sector in developing nations like Pakistan. Merendino and Melville (2019) stated that CG can monitor business performance and play a key role in controlling conflicts between management and stakeholders. CG is a pioneer in determining the optimal course for organizations. One of the optimal course for organization is dividend policy (DP).

Dividends are a mechanism for a firm's earnings to be returned to its owners. CG is in charge of developing a DP that considers the interests of all stakeholders and ensures that dividends are used efficiently to achieve the firm's goals (Hifzalnam & Mukhtar 2014). Therefore, financial scandals and interest conflicts among shareholders in the business structure, CG has recently attracted a lot of public attention. Using effective CG, there are two approaches to handle agency conflicts between management and investors. One method is to use the DP, and the second is enhancing shareholder rights (Bhatt & Jain, 2021). Sheikh and Wang (2012) discovered that DP is an important part of CG since CG attempts to protect stockholder's interests.

With the high level of political instability (PI) and continued internal violence as well as closures, the World Bank (2014) ranks Pakistan's economy as one of the most developing countries, characterized by poor productivity, investment, and limited competition. As a result, Pakistan's economy is deteriorating, resulting in increased economic instability and a loss of investor confidence (Li et al., 2016). Research has investigated PI and how firms make their DP decisions in the presence of PI. Therefore, PI significantly affects the DP of a firm (Al-Thaqeb & Algharabali, 2019). Thus, PI can affect the DP of a firm in two ways. The first school of thought contends that PI promotes information asymmetry, and second is that higher information asymmetries associated with PI may induce firms to announce DP to send a good signal to the markets.

CG aims to encourage investment. As a result, the shareholders' interests and rights are protected and maintained (Ongore & K'Obonyo, 2011). DP facilitates monitoring of the firm's activities and performance (Griffin, 2010). Thus, DP becomes a significant element of CG. The literature shows mixed outcomes when it comes to the CG and DP relationship. Thus, DP is positively and significantly affected by CG (Musa et al., 2019), whereas Mardani et al., (2018); Pahi and Yadav (2018) discover a negative and insignificant link between CG and DP. Abbas et al., (2018) and MacAulay and Oxner (2019) demonstrated that companies that follow CG are positively and significantly associated. PI influences the link between CG and DP (Bokhari et al., 2019). Thus, in the presence of PI, the firm's performance does not improve. However, much earlier research has focused on the macroeconomic implications of PI, with little attention paid to how PI affects actual decision-making at the corporate level, such as DP (Roe & Siegel, 2011). Pakistan has had a PI, which leaves little room for consistent or logical policies to be implemented. This severely lowers a government's competence and reduces its ability to cope with shocks that eventually lead to macroeconomic disequilibrium (Khan & Saqib, 2009). Political stability has a significant impact on the economy and business operations (Lei et al., 2015). Thus, a stable political framework has a considerable impact on a firm's DP. Therefore, owing to these outcomes, the objectives of the study are to investigate relationship between CG and DP of firms listed at PSX. Also, the moderating role played by political instability.

Literature Review

Internal governance deficiencies are the fundamental cause of the economic calamity, as highlighted by the Asian financial crisis of 1997. The Organization for Economic Cooperation and Development (OECD) (1999, 2004) established a framework for the good practice known as the CG principles. They advocate an adequate legal and institutional framework to support strong CG practices. CG is defined as "The processes of supervision and control intended to ensure that the firm's management acts in consonance with the interests of the shareholders" (Parkinson, 1993). DP is a strategic decision made by a firm in which CG can play a crucial role. Dividends are monetary payments made to shareholders from a firm's earnings, and DP is the decision to pay or keep these earnings. Making judgments about when and how much profit should be dispersed as dividends is part of DP. DP is defined as "The percentage of the firm's earnings that is distributed to shareholders" (Hellstrom & Inagambaev, 2012). The DP is significant because it determines how much money flows to investors and how much money the firm keeps for investment (Ross, 1997). Ntim (2015) stated that if a governed organization pays a higher dividend, its managers will act in the best interests of its shareholders. Firms with a weak CG mechanism, on the other hand, firms pay a high dividend to strengthen investor relations (La Porta et al., 2000). Prior study on the effect of CG on DP has yielded both contradictory and conclusive results. Montalban & Sakinc (2013) revealed that firms that have adopted a CG, distribute higher dividends. Rinawiyanti et al. (2020) investigated CG and DP association in the Indonesian market and discover that favorable CG factors have a considerable positive impact on DP. Setiawan and Kee Phua (2013) found a low CG practice in Indonesia, as well as a negative influence of CG on DP. Atanassov and Mandell (2018)

demonstrated that firms with low CG announces DP and disperse more money in the form of dividends.

The principal of business hires the agent to perform his duties on his behalf and thus the agency relationship between agent and principal is established (Jensen & Meckling, 1976). Jensen (1986) stated managers are interested in the firm's expansion potential because resources of the firm could be under their control. On the other hand, shareholders prefer dividends to retained earnings. As a result, if dividends are not paid, the managers may utilize the funds for their gain or invest them in zero NPV projects. Rani and Mishra (2008) stated that the actual operation of the firm is run by agents and govern the firm for shareholders who are the principals of the firm. Conflict emerges when managers appropriate value to themselves over shareholders. This conflict can be resolved through agency theory (Yocam & Choi, 2010). Gompers et al. (2003) revealed that agency costs are linked to the level of shareholder rights. Furthermore, shareholders may prefer dividends, especially if they are concerned about insider management appropriating their cash.

The CG and DP of a firm are significantly affected by the instability of the business environment in which it operates (Demsetz & Lehn, 1985). All firms' expectations are uncertain as a result of PI. When faced with uncertainty, businesses tend to be cautious in their DP (Bloom et al., 2007). Thus, it's also difficult to foresee the incoming government's policy preferences, as well as personal abilities and conduct, raising the firm's risk assumptions. The following two components of the risk expectations connected with PI may have an impact on a firm's DP. First, PI raises the risk of external investors and financial institutions, causing them to demand a greater risk premium and, as a result, raising the firm's cost of equity and debt. Second, because managers cannot forecast the risk associated with future cash flows, PI enhances their risk perception. Managers typically adopt sensible DP to decrease the risk of a financial crisis (Chay & Suh, 2009; Burns et al., 2011).

Board size (BS) and DP have a significant positive association (Subramaniam and Susela, 2011). The findings revealed that companies with a large board of directors and those that are family-owned pay larger dividends. Uwalomwa et al. (2015) studied the BS and DP association and found a negative and insignificant association in Nigerian enterprises. Weisbach and Hermalin (2003) analyzed board independence (BI) and revealed that its usefulness in firm decision-making is important. Abbassi et al. (2021) revealed that an efficient board is the outcome of BI. Ho (2005) demonstrated that primary variables like audit committee size (ACS) can contribute to a firm's worth by enforcing the firm's laws and policies and ensuring CG's valuable practices. Adnan et al. (2011) revealed that shareholders benefit from the number of board meetings (NBM) because a more conscientious board is more concerned with managing the manager's actions to meet the expectations of the shareholders. Larcker and Tayan (2011) stated that management equity holding (MEH) increases self-interested conduct. Iskandar et al. (2011) revealed that the large proportion of MEH, the lesser are chances to announce DP. Thus, management will only focus on enhancing their incentives rather than focusing on the rights of other shareholders. Board gender diversity (BGD) can strengthen board independence and

effectiveness (Tsuji, 2012). Thus, BGD on boards can improve DP. However, Baranchuk and Dybvig (2009) stated that female directors have a high ratio of disagreement with male directors, thus, BGD may not be regarded as an effective governance instrument.

Conceptual Framework

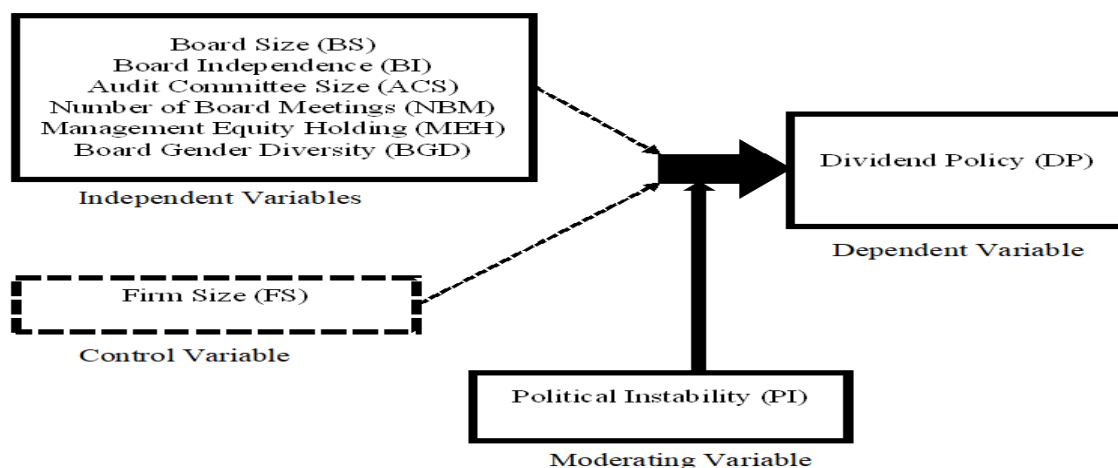


Figure 1: Conceptual Framework

Research Methodology

All PSX non-financial listed firms are the population of the study and a sample is drawn from this population. The sample period is of 8 years from 2012 to 2019. Firms are selected based on the complete data provided for the entire period. Firms are not included in the sample with incomplete financial data because all proxies cannot be applied to incomplete data, which does not serve the purpose of the study. Using this criterion, the study comes up with a total of 60 firms from PSX non-financial firms. Thus, there are 480 firm-year observations in total. Secondary data that is a panel in nature is used. Data for the study was collected from various sources. Data for the study was obtained from the respective firms' websites in the form of annual reports and the State Bank of Pakistan's (SBP) website in the form of balance sheet data analysis (BSA). Additionally, data are downloaded from the open doors website and World Bank (WB) website.

Model of the Study

In this study, two stages of investigation employing two separate models are used. This study empirically studies the CG and DP of PSX-listed firms in first stage. The moderating variable PI is used in the stage. Thus, the following econometric model is constructed.

$$DP_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 ACS_{it} + \beta_4 NBM_{it} + \beta_5 MEH_{it} + \beta_6 BGD_{it} + \beta_7 FS_{it} + \beta_8 PI_{it} + \beta_9 BS_{it} * PI_{it} + \beta_{10} BI_{it} * PI_{it} + \beta_{11} ACS_{it} * PI_{it} + \beta_{12} NBM_{it} * PI_{it} + \beta_{13} MEH_{it} * PI_{it} + \beta_{14} BGD_{it} * PI_{it} + \beta_{15} FS_{it} * PI_{it} + \epsilon_{it}$$

Where:

- DP_{it} is dividend policy of firm i at time t
- BS_{it} is board size of firm i at time t
- BI_{it} is board independence of firm i at time t
- ACS_{it} is audit committee size of firm i at time t
- NBM_{it} is number of board meetings of firm i at time t
- MEH_{it} is management equity holding of firm i at time t
- BGD_{it} is board gender diversity of firm i at time t
- FS_{it} is the firm size of firm i at time t
- PI is PI of firm i at time t
- ε_{it} is error term of firm i at time t

Table 1: Description of the Variables

Nature of the Variable(s)	Variable(s) Name	Symbols	Definition	References
Dependent	DP	DP	Dividends/Net Sales	Wu (2018)
	Board size	BS	Total number of members in the board	Abbas et al. (2018)
Independent	Board independence	BI	Total number of independent directors on the board	Kulathunga et al. (2017)
	Audit committee size	ACS	Total number of members in audit committee	Elmagrhi et al. (2017)
	Number of board meetings	NBM	Number of board meetings in the year	Abbas et al. (2018)
	Management equity holding	MEH	Percentage of equity ownership of the firm directors	Ikunda et al. (2016)
	Board gender diversity	BGD	Total number of female directors on the board	Elmagrhi et al. (2017)
Control	Firm size	FS	Log of firm total assets	Iqbal (2013)
Moderating	Political instability	PI	Political stability index	TheGlobalEconomy.com

Results And Discussions

Table 2: Descriptive Statistics of the Study

Variables	Mean	Median	Std. Dev.	Max	Min
DP	.054	.03	.054	.19	.005
BS	8.135	8	1.158	11	7
BI	1.298	1	.985	4	0
ACS	3.783	4	.922	6	3
NBM	5.231	5	1.586	10	4
MEH	21.771	8.451	24.466	74.52	0
BGD	.579	0	.749	2	0
FS	16.272	16.257	1.235	18.6	14.004
PI	-2.681	-2.72	.135	-2.48	-2.86

The descriptive results reveal that the DP average payment is small and the standard deviation is also very small. This signifies that there is uniformity in the DP of the firms. The average value of BS is 8, indicating the number of board of directors in a firm. The fraction of BI is 1, which means that every firm has 1 independent director on its board of directors. The fraction of ACS is 3, which means that every firm has 3 directors in their audit committee. The NBM by sample firms in a year ranges between a least of 4 to a greatest of 10 representing the average of 5 meetings in a financial year. The MEH average reveals that 21% of the ownership in a firm belongs to management. The BGD fraction reveals that every second sample firm has 1 female director on the board of directors. From the control variable, the FS shows which firm has how many assets. Further, the result of summary statistics reveals no high variation in the variables, and the mean and median values are roughly the same signifying that data is close to normal having an approximately linear relationship.

Table 3: Correlations Results

Variables	DP	BS	BI	ACS	NBM	MEH	BGD	FS
DP	1.000							
BS	0.150*	1.000						
BI	0.255*	0.336*	1.000					
ACS	0.287*	0.475*	0.228*	1.000				
NBM	0.109*	0.118*	0.198*	0.151*	1.000			
MEH	-0.471*	-0.080	-0.005	-0.115*	-0.082	1.000		
BGD	-0.018	0.042	-0.048	0.085	-0.029	0.065	1.000	
FS	0.208*	0.175*	0.258*	0.179*	0.186*	-0.288*	-0.022	1.000

*** p<0.01, ** p<0.05, * p<0.1

Using Pearson's correlation coefficients, among the CG proxies, the magnitude of BI, and ACS is a statistically significant and positive correlation with DP. This is consistent with Elmagrhi

et al. (2017) who evidenced that ACS with more members is coupled with better monitoring of managerial actions resulting in higher DP reduced agency-related problems. BS and DP are positively related. This implies that more members on the board of directors' results in larger dividend payments and supports the findings of Sumail (2018). However, DP is inversely associated with MEH signifying that MEH and DP are not substituted in reducing the cost of agency problem (Al-Najjar & Hussainey, 2009). Thus, DP is positively associated with BGD and NBM signifying that BGD and, NBM with DP are substituted in reducing the cost of agency problems. Hence, companies have good CG by frequent NBM and when a firm appoints a larger number of independent directors, it is more likely to pay lower dividends (LaPorta et al., 2000). FS is positively and significantly associated with the DP of non-financial firms as control variables.

Table 4: Model Specification for the Study

	Hausman Test Results	Breusch and Pagan LM Test
Chi-square test value	18.6	596.89
P-value	.01	0.0000

The stage I of this study examines the impact of CG on DP. The table 4 shows the results of the Hausman test to choose between FE and RE models and the Breusch and Pagan LM test to choose between pooled OLS and FEM. The results show that the P-value is significant for Hausman test, which recommends that FEM is the preferred model. Also, the P-value is significant for the Breusch and Pagan LM test, which suggests that choose FEM model rather than pooled OLS.

Table 5: Results Hausman Test and Breusch and Pagan LM Test

	Hausman Test Results	Breusch and Pagan LM Test
Chi-square test value	19.29	605.93
P-value	.254	0.0000

The stage II of this study examines the impact of CG on DP with moderating role of PI. The table 5 shows the results of the Hausman test to choose between FE and RE models and the Breusch and Pagan LM test to choose between pooled OLS and FEM. The results show that the P-value is insignificant for Hausman test, which recommends that REM is the preferred model. Also, the P-value is significant for the Breusch and Pagan LM test, which suggests that choose REM model rather than pooled OLS.

Table 6: Fixed Effect Model Results

DP	Coef.	St.Err.	t-value	p-value	Sig
----	-------	---------	---------	---------	-----

BS	-.002	.003	-0.56	.574	
BI	0	.002	0.03	.977	
ACS	.006	.003	2.36	.019	**
NBM	-.001	.001	-0.57	.566	
MEH	0	0	-1.04	.299	
BGD	-.003	.003	-0.98	.328	
FS	.002	.005	0.40	.69	
Constant	.025	.081	0.31	.759	

*** p<.01, ** p<.05, * p<.1

FEM is the most appropriate analysis technique for this study as mentioned in the table. As a result, the FEM model was used to evaluate the relationship between CG and DP in this study. The table shows the fixed effect regression results of study stage I. DP is used as a dependent variable while proxies of CG are used as independent variables.

The empirical results of BS demonstrate that the association between BS and DP is negative and insignificant. Mansourinia et al. (2013) also found an association between BS and DP as negative and statistically insignificant. Theoretically, the negative and insignificant result is similar to the prediction that DP is not an outcome of BS (Jiraporn et al., 2011). Ntim (2015) stated that larger boards have more experienced and talented directors. As a result, CG can be mitigated by reducing managerial oversight and deterring managers from pursuing wealth-maximizing strategies, such as giving larger dividends to shareholders. The empirical findings of BI and DP are positive and insignificant. Iqbal (2013) study also reports the positive and insignificant association between BI and DP. Theoretically, results suggest that firms are likely to pay dividends if the number of independent directors is more (La-Porta et al., 2000). However, BI and DP are not substitutes for agency costs mitigation (Al-Najjar & Hussainey, 2009). The findings of ACS demonstrate that it is associated statistically significant and positive with DP. The positive finding reveals that larger ACS are linked to more managerial oversight (Al-Swidi et al., 2012). ACS may also aid in agency cost reduction by pushing management to distribute free excess cash flows to shareholders as dividends. The results of NBM demonstrate that it is negatively and insignificantly associated with DP. This finding supports the study of (Chen et al., 2012). Theoretically, the finding shows that firms with low CG use DP to preserve a favorable image among shareholders. The results imply that DP cannot retain managerial monitoring through NBM. The empirical results reveal that the association between MEH and DP is negative and insignificant. Thus, the lower is the percentage of the MEH in the firm; the lower will be the DP. The earlier study of Aydin (2015) also concluded a negative and insignificant association between MEH and DP. The main reason for this negative association between MEH and DP could be that managers may want to avoid incurring the legal regulation of double taxation. The relationship between the MEH and DP is important because it reduces the conflict of interest between managers and outside shareholders. BGD findings reveal that it is negatively and insignificantly associated with DP. This negative association between BGD and DP supports the findings of the early study of (Ntim, 2015). Thus, reveals that BGD does not provide better monitoring over managers. Furthermore, (La-

Porta et al. (2000) stated that a negative association between BGD and DP concludes that management needs to agree on the point to provide higher dividends to shareholders for creating a positive image of the firm. The empirical findings reveal that the association between BS and DP is positive and insignificant. Elmagrhi et al. (2017) also found FS and DP association as positive and insignificant. Therefore, results suggest that larger firms can pay more dividends than smaller firms. The results conclude that to achieve the first objective of study stage I that CG does not affect the DP of sample firms listed on PSX.

Table 7: Random Effect Model Results

DP	Coef.	St.Err.	t-value	p-value	Sig
BS	-.003	.005	-0.60	.549	
BI	.014	.004	3.10	.002	***
ACS	.014	.005	2.66	.008	***
NBM	0	.002	-0.09	.925	
MEH	-.001	0	-5.20	0	***
BGD	0	.004	0.11	.914	
FS	0	.003	0.09	.929	
PI	.008	.026	0.32	.751	
BS*PI	-.001	.002	-0.63	.528	
BI*PI	.005	.002	3.10	.002	***
ACS*PI	.005	.002	2.66	.008	***
NBM*PI	0	.001	-0.13	.898	
MEH*PI	0	0	-5.22	0	***
BGD*PI	0	.001	0.13	.895	
FS*PI	0	.001	0.11	.911	
Constant	.022	.071	0.31	.757	

*** p<.01, ** p<.05, * p<.1

Empirical results recommend REM as the best analysis technique for this study. Thus, the REM was used to investigate the relationship between CG and DP in this study with the moderating variable PI. The table shows the RE regression results of study stage II. DP is used as a dependent variable and proxies of CG are used as independent variables. Moreover, PI is moderating variable.

The empirical results of BS demonstrate a negative and insignificant association when PI moderates the relationship. Loukil (2020) findings of an association between BS and DP in presence of PI are negative and statistically insignificant. Theoretically, the negative and insignificant result is similar to the prediction that firms are reluctant to announce DP (Farooq & Ahmad, 2019). Thus, results indicate that BS responds to PI by not announcing the DP. The findings of BI reveal that the association between BI and DP is positive and significant. Similarly, Abor and Fiador (2013) revealed a positive and significant relationship between BI and DP when PI moderates the relationship. Theoretically, the evidence indicates that firms are highly inclined to announce DP during the presence of PI when having a higher number of

independent directors (Loukil, 2020). Thus, BI and DP mitigate PI. The findings of ACS demonstrate that ACS and DP are positively and significantly associated when PI moderates the relationship. The positive finding indicates that large ACS is associated with increased managerial control (Al-Swidi et al., 2012). ACS helps managers by pushing them to distribute free excess cash flows to shareholders as dividends. Therefore, ACS helps in eliminating agency costs during PI. The results of NBM demonstrate that it is negatively and insignificantly associated with DP when PI moderates the relationship. Chen (2012) study also reveals the same association. Theoretically, the finding shows that companies with low CG employ DP to preserve a favorable image among shareholders (Esqueda, 2016). Thus, results imply that in the presence of PI, NBM cannot retain managerial monitoring. The empirical results reveal that when PI moderates the relationship, the association between MEH and DP is negative and significant. Aydin and Cavdar (2015) stated that the lower the DP, the bigger the percentage of management in the firm. Thus, DP is announced to reduce the conflict of interest and resolve information asymmetry between managers and shareholders. The empirical findings of BGD reveal that when PI moderates the relationship, the association between BGD and DP is positive and insignificant. Julizaerma and Sori (2012) also found a positive and insignificant association between BGD and DP. Thus, concluding that BGD improves a firm's DP by providing better monitoring of managers. Furthermore, by declaring DP during PI, the firm develops a positive reputation with shareholders. The empirical findings reveal that when PI moderates the association between BS and DP, the results are positive and insignificant. This finding supports the findings of Elmagrhi et al. (2017) who also found a positive and insignificant association between FS and DP. Thus, the result reveals that in the presence of PI, larger firms pay higher dividends in comparison to firms that are smaller in size. The results conclude and to achieve the second objective of the study stage II that CG affects DP of the sample firms listed on PSX when there is the moderating role of PI.

Conclusion

It is concluded from stage I of the results that CG has no impact on the DP of the firm. The BS, NBM, MEH, and BGD negatively affect DP while the BI and ACS have a positive impact on DP. Moreover, the results confirm that the impact of ACS on DP is significant while the impact of BS, BI, NBM, MEH, BGD on DP is insignificant. Controlling variable FS has a positive and insignificant impact on firm DP. From the results, it is concluded that the DP of the firm is not influenced by CG.

In the second stage of the study, the moderating role of PI has been investigated, and the results reveal that the interaction term of BS, NBM, and MEH negatively affect the DP of the firm while interaction terms of BI, ACS, and BGD positively affect the DP. Moreover, after the interaction, the BI, ACS, and MEH have a significant influence on DP while BS, NBM, and BGD have an insignificant influence on DP. It is concluded from the results that in the presence of PI, the CG effect the DP of the firm, and hence the firm announces the DP.

References

- [1] Abbas. M., Qureshi. S., Ahmed. M. M. & Rizwan. M., (2018). Corporate governance and dividend pay-out policy: Mediating role of leverage. *Pakistan Journal of Social Sciences*, (38), 62-86.
- [2] Abbassi, W., Hunjra, A. I., Alawi, S. M., & Mehmood, R. (2021). The role of ownership structure and board characteristics in stock market liquidity. *International Journal of Financial Studies*, 9(4), 74. <https://doi.org/10.3390/ijfs9040074>
- [3] Abdullah Kaid Al-Swidi. (2012). Total quality management, entrepreneurial orientation, and organizational performance: The role of organizational culture. *African Journal of Business Management*, 6(13). <https://doi.org/10.5897/ajbm11.2016>
- [4] Abor, J., & Fiador, V. (2013). Does corporate governance explain dividend policy in Sub-Saharan Africa? *International Journal of Law and Management*, 55(3), 201–225. <https://doi.org/10.1108/17542431311327637>
- [5] Adnan, Z., Abdullah, H. S. & Ahmad, J. (2011). The direct influence of human resource management practices on financial performance in Malaysian R&D companies. *World Review of Business Research*, 1(1), 61-77.
- [6] Al-Najjar, B., & Hussainey, K. (2009). The association between dividend pay-out and outside directorships. *Journal of Applied Accounting Research*, 10(1), 4-19. <https://doi.org/10.1108/09675420910963360>
- [7] Al-Thaqeb, S.A. & Algharabali, B.G. (2019), Economic policy uncertainty: A literature review. *The Journal of Economic Asymmetries*, 20, e00-133. <https://doi.org/10.1016/j.jeca.2019.e00133>
- [8] Atanassov, J., & Mandell, A. J. (2018). Corporate governance and dividend policy: Evidence of tunneling from master limited partnerships. *Journal of Corporate Finance*, 53, 106–132. <https://doi.org/10.1016/j.jcorpfin.2018.10.004>
- [9] Aydin, A. D., & Cavdar, S. C. (2015). Corporate governance and dividend policy: An empirical analysis from Borsa Istanbul corporate governance index (XKURY). *Accounting and Finance Research*, 4(3). <https://doi.org/10.5430/afr.v4n3p66>
- [10] Baranchuk, N. & Dybvig, P.H. (2009). Consensus in diverse corporate boards. *Review of Financial Studies*, 22(2), 715-747. <https://doi.org/10.1093/rfs/hhn052>
- [11] Bhatt, S., & Jain, D. S. (2021). Corporate governance and dividend policy: Evidence from the commercial banking sector in Nepal. *International Journal of Modern Agriculture*, 10(2), 4319–4337. <http://www.modernjournals.com/index.php/ijma/article/view/1337>
- [12] Bloom, N., Bond, S., & Reenen, J. V. (2007). Uncertainty and investment dynamics. *Review of Economic Studies*, 74, 391–415. <https://doi.org/10.1111/j.1467937X.2007.00426.x>
- [13] Bokhari, H. I., Suleman, A., Ghumman, J. I., Hafeez, H. M. (2019). Corporate governance, dividend policy, capital structure, and firm financial performance with moderating role of political instability. *Pakistan Journal of Social Sciences*, 39(1), 109-126.
- [14] Burns, W. J., Peters, E., & Slovic, P. (2011). Risk perception and the economic crisis: A longitudinal study of the trajectory of perceived risk. *Risk Analysis*, 32(4), 659 677. <https://doi.org/10.1111/j.1539-6924.2011.01733.x>

- [15] Chay, J. B., & Suh, J. (2009). Pay-out policy and cash-flow uncertainty. *Journal of Financial Economics*, 93, 88–107. <https://doi.org/10.1016/j.jfineco.2008.12.001>
- [16] Chen, S.-S., & Chen, I-Ju. (2012). Corporate governance and capital allocations of diversified firms. *Journal of Banking & Finance*, 36(2), 395–409. <https://doi.org/10.1016/j.jbankfin.2011.07.013>
- [17] Claessens, Stijn, Yurtoglu, & Burcin B. (2012). Corporate governance and development: An update. Global Corporate Governance Network, IFC. <https://ssrn.com/abstract=2061562>
- [18] Davies, M., & Schlitzer, B. (2008). The impracticality of an international “one size fits all” corporate governance code of best practice. *Managerial Auditing Journal*, 23(6), 532–544. <https://doi.org/10.1108/02686900810882093>
- [19] Demsetz, H., & Lehn, K. (1985). The structure of corporate ownership: Causes and consequences. *The Journal of Political Economy*, 93, 1155–1177. <https://doi.org/10.1086/261354>
- [20] ElKelish, W. W. (2018). Corporate governance risk and the agency problem. *Corporate Governance: The International Journal of Business in Society*, 18(2), 254–269. <https://doi.org/10.1108/cg-08-2017-0195>
- [21] Elmagrhi, M., Ntim, C. G., Crossely, R., Malagila, J., Fosu, S., & Vu, T. (2017). Corporate governance and dividend pay-out policy in the UK listed SMEs: The effects of corporate board characteristics. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2938420>
- [22] Esqueda, O. A. (2016). Signaling, corporate governance, and the equilibrium dividend policy. *The Quarterly Review of Economics and Finance*, 59, 186–199. <https://doi.org/10.1016/j.qref.2015.06.005>
- [23] Farooq, O., & Ahmed, N. (2019). Dividend policy and political uncertainty: Evidence from the US presidential elections. *Research in International Business and Finance*, 48, 201 – 209. <https://doi.org/10.1016/j.ribaf.2019.01.003>
- [24] Gompers P., Ishii, J.L., & Metrick A. (2003). Corporate governance and equity prices. *Quarterly Journal of Economics*, 118, 107-155. <https://doi.org/10.1162/00335530360535162>
- [25] Griffin, C. (2010). Liquidity and dividend policy: International evidence. *International Business Research*, 3, 3-9. <https://doi.org/10.15722/jds.15.5.201705.29>
- [26] Hellstrom, G., & Inagambaev, G. (2012). Determinants of dividend payout ratios: A study of Swedish large and medium caps. *Journal of Emerging Issues in Economics, Finance, and Banking*, 2, 52-65. <http://urn.kb.se/resolve?urn=urn%3Anbn%3Ase%3Aumu%3Adiva-56954>
- [27] Hifzalnab, P., & Mukhtar, A. (2014). Corporate governance and its impact on the performance of the banking sector in Pakistan. *International Journal of Information, Business, and Management*, 6, 106-117.
- [28] Ho, C.-K. (2005). Corporate governance and corporate competitiveness: An international analysis. *Corporate Governance*, 13(2), 211–253. <https://doi.org/10.1111/j.1467-8683.2005.00419.x>
- [29] Iqbal, S. (2013). The impact of corporate governance on dividend decision of firms:

- Evidence from Pakistan. SSRN Electronic Journal.
<https://doi.org/10.2139/ssrn.2278993>
- [30] Iskandar, R., Rahmat, Noor, A., Saleh, M. & Ali, M. (2011). Corporate governance and going concern problems. *International Journal for Corporate Governance*, 2(2), 119-139. <https://doi.org/10.1504/IJCG.2011.041151>
- [31] Jensen, M. (1986). Agency costs of free cash flow, corporate finance and takeovers. *The American Economic Review*, 76, 323-329. <https://www.jstor.org/stable/1818789>
- [32] Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*. 3, 305-360. [http://dx.doi.org/10.1016/0304-405X\(76\)90026-X](http://dx.doi.org/10.1016/0304-405X(76)90026-X)
- [33] Jiraporn, P., Kim, J. C., & Kim, Y. S. (2011). Dividend payouts and corporate governance quality: An empirical investigation. *Financial Review*, 46(2), 251–279. DOI: <https://doi.org/10.1111/j.1540-6288.2011.00299.x>
- [34] Julizaerma, M.K., & Sori, Z. (2012). Gender diversity in the boardroom and firm performance of Malaysian public listed companies. *Procedia - Social and Behavioural Sciences*, 65, 1077-1085.
- [35] Khan, U. S., & Saqib, F. O. (2009). Political instability and inflation in Pakistan. State Bank of Pakistan, Bond University, Australia. <https://mpra.ub.uni-muenchen.de/13056/>
- [36] Kulathunga, N., Weerasinghe, W. D. J. D., & Jayarathne, J. A. B. (2017). Corporate governance and dividend policy: A study of listed manufacturing companies in Sri Lanka. *International Journal of Scientific Research and Innovative Technology*, 4(2), 64-81. http://www.ijssrit.com/uploaded_all_files/2167709373_u7.pdf
- [37] La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (2000). Investor protection and corporate governance. *Journal of Financial Economics*, 58(1), 3-27.
- [38] Larcker, D., & Tayan, B. (2011). Corporate governance matters. *Journal of Emerging Issues in Economics, Finance, and Banking*, 2, 32-52.
- [39] Lei, G., Wang, W., & Liu, M. (2015). Political uncertainty, dividend policy adjustments, and market effect. *China Journal of Accounting Studies*, 3(1), 49-83. <https://doi.org/10.1080/21697213.2015.1015370>
- [40] Loukil, N. (2020). Does political instability influence dividend payout policy: Evidence from Tunisian Stock Exchange? *EuroMed Journal of Business*. <https://doi.org/10.1108/emjb-06-2019-0094>
- [41] MacAulay, K., & Oxner., M. (2019). The relationship between corporate governance and dividend payouts in Canada. *Workplace Review*, 2-15.
- [42] Mansourinia, E., Emamgholipour, M., Rekabdarkolaei, E.A., & Hozoori, M. (2013). The effect of board size, board independence and CEO duality on dividend policy of companies: Evidence from Tehran stock exchange. *International Journal of Economy, Management and Social Sciences*, 2(6), 237- 241.
- [43] Mardani, A., Nikoosokhan, S., Moradi, M., & Doustar, M. (2018). The relationship between knowledge management and innovation performance. *The Journal of High Technology Management Research*, 29(1), 12–26.

- [44] Merendino, A., & Melville, R. (2019). The board of directors and firm performance: Empirical evidence from listed companies. *Corporate Governance*, 19(3), 508-551. <https://doi.org/10.1108/CG-06-2018-0211>
- [45] Montalban, M., & Sakinc, M. E. (2013). Financialization and productive models in the pharmaceutical industry. *Industrial and Corporate Change*, 22(4), 981–1030. <https://doi.org/10.1093/icc/dtt023>
- [46] Musa, H., Rech, F., & Musova, Z. (2019). The role of corporate governance in debt and dividend policies: Case of Slovakia. *Investment Management and Financial Innovations*, 16(2). [http://dx.doi.org/10.21511/imfi.16\(2\).2019.18](http://dx.doi.org/10.21511/imfi.16(2).2019.18)
- [47] Ntim, C.G. (2015). Board diversity and organizational valuation: Unravelling the effects of ethnicity and gender. *Journal of Management & Governance*, 19(1), 167-195. <https://doi.org/10.1007/s10997-013-9283-4>
- [48] OECD (1999). OECD principles of corporate governance. France: OECD Publications.
- [49] OECD (2004). OECD principles of corporate governance. France: OECD Publications.
- [50] Ongore, V., & K'Obonyo, P. (2011). Effects of selected corporate governance on firm performance. *International Journal of Economics and Financial Issues*, 1, 99-122.
- [51] Pahi, D., & Yadav S. (2018). Role of corporate governance in determining dividend policy: Panel evidence from India. *International Journal of Trade, Economics, and Finance*, 9(3). 10.18178/ijtef.2018.9.3.598
- [52] Parkinson, J. E. (1993). *Corporate power and responsibility: Issues in the theory of company law*. Oxford: Clarendon Press.
- [53] Rani, D. G., & Mishra, R. K. (2008). *Corporate governance: Theory and practice*. Excel Books.
- [54] Rinawiyanti, E. D., Huang, X., & As-Saber, S. (2020). Adopting management control systems through CSR strategic integration and investigating its impact on company performance: Evidence from Indonesia. *Corporate Governance: The International Journal of Business in Society*. <https://doi.org/10.1108/cg-04-2020-0150>
- [55] Roe, M. J., & Siegel, J. I. (2011). Political instability: Effects on financial development, roots in the severity of economic inequality. *Journal of Comparative Economics*, 39, 279 – 309. <https://doi.org/10.1016/j.jce.2011.02.001>
- [56] Ross, S. A. (1977). The determination of financial structure: The incentive-signaling approach. *The Bell Journal of Economics*, 8(1), 23. <https://doi.org/10.2307/3003485>
- [57] Setiawan, D., & Kee Phua, L. (2013). Corporate governance and dividend policy in Indonesia. *Business Strategy Series*, 14(5/6), 135–143. <https://doi.org/10.1108/bss-012013-0003>
- [58] Sheikh, A. N., & Wang, Z. (2012). Effects of corporate governance on capital structure. *Corporate Governance*, 12, 629-641. <https://doi.org/10.1108/14720701211275569>
- [59] Subramaniam, R., & Devi, S. S. (2011). Corporate governance and dividend policy in Malaysia. In *International Conference on Business and Economics Research*, 1, 200-207.
- [60] Sumail, L. O. (2018). Corporate governance and dividend payout ratio in non-financial firms listed in the Indonesian Stock Exchange. *Business and Economic Horizons*, 14(4), 851–861. <https://doi.org/10.15208/beh.2018.58>

- [61] The global economy, world economy | TheGlobalEconomy.com. (2019). TheGlobalEconomy.com. <https://www.theglobaleconomy.com/>
- [62] Tsuji, C. (2012). A discussion on the signaling hypothesis of dividend policy. Open Business Journal, 5(1), 1-7. <http://dx.doi.org/10.2174/1874915101205010001>
- [63] Uwalomwa, U., Olamide, O., & Francis, I. (2015). The effects of corporate governance mechanisms on firm's dividend payout policy in Nigeria. Journal of Accounting and Auditing: Research & Practice, 1–12. <https://doi.org/10.5171/2015.313679>
- [64] Weisbach, M. S., & Hermalin, B. E. (2000). Boards of directors as an endogenously determined institution: A survey of the economic literature. SSRN Electronic Journal. <https://doi.org/10.2139/ssrn.233111>
- [65] World Bank (2005). Corporate governance country assessment for Pakistan report on the observance of standards and Codes (ROSC). Washington D.C: The World Bank.
- [66] Wu, J. (2018). The effect of corporate governance and growth opportunities on dividend payout: Does cross-listing matter? Feb.studenttheses.ub.rug.nl. <https://feb.studenttheses.ub.rug.nl/20422/>
- [67] Yocam, E., & Yocam Publishing Llc. (2008). Corporate governance: A board director's pocket guide: Leadership, Diligence, and Wisdom. Iuniverse, Inc.