Board Composition, Ownership Structure and Dividend Payout Policy: Evidence from PSX-100 Index of Pakistan

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Abstract
The purpose of this study is to analyze the influence of board composition, ownership structure on dividend payout policy. Ordinary Least Square and Logistic regression models were applied to test the estimation in Pakistani KSE 100-index firms for the period of 2005 to 2014. Corporate Governance (board composition and ownership structure) were taken as independent variables, dividend payout / dividend decision as dependent variables. It is ascertained that the board size, executive director, institutional, foreign ownership and return on equity are significantly influenced on dividend payout /decision. Over study results evidenced that those firms who have higher profitable provide signal to the market to pay higher dividend in Pakistani firms and intended to resolve the agency problems issues.

Keywords: Ownership Structure, Dividend Payout Policy, Board Composition

1. Introduction

The most talkative topic in corporate governance is dividend policy. In 1976, dividend was named "Puzzle[1]" by Black. Black called to dividend is a "Puzzle" in emerging unanimity because behavior of dividend depends not only on single factor. Studies of (Bushra, 2012) and (Afza and Mirza, 2010) also some other researchers concluded similar results that not only a one factor can explicate deportment dividend policy it belongs to investor's behavior who change with the passage of time. Transparency is a first step to govern and lead the organizational management and governance is as much important as financial strength of an organization. Corporate governance covers the establishment of the various policies and the continuous sort of monitoring of performance of the entity by board of the firm with a view to foster the level of prosperity of the firm via extreme practices of accountability and transparency. Payout policy refers how much a company will pay to its shareholders as dividend? The disputes between shareholders and company managers are not

ettled then dividend used to stop managers from using free cash flow in uneconomical activities. Jensen (1986) said that clashes opened between company and external stockholder when there is no sufficient investment opportunity which causes troubling in cash flow. This argument is similar with the research directed by (Easterbrook, 1984; Zwiebel, 1996). Rozeff (1987) stated that highly paid dividend can resolve such clashes. Jensen (1986) Agency theory arguments that dividend might restrain agency cost by allotting free cash flow while over management would be invest in unprofitable plans. Easterbrook (1984) stated firms who pay more dividends in a smoothly way to increase its good will in the capital markets probability those firms maybe issue new stock in the market. The theory of dividend policy is one of the most important theory in finance because it is directly related to the shareholders. Dividend policy encompasses the decisions of the board of the company in term of dividend and retained earnings. When the shareholders get the greater rights then they could use their powers to influence firm's dividend policy.

Our research ownership including are the managerial ownership, institutional ownership, block ownership, free float ownership, top ten shareholders and the foreign ownership. Dividend payout policies have become the question of consideration and the focus of research since a very long time. The procedures of dividend of any firm is considered one having the most important decisions made for the corporate policies in Pakistan, as it is considered a reward to shareholders for their contribution in raising funds for a company and for bearing the relevant risks.

1.1 Problem Statement

The earlier studies limited in the view of sample size study span and have different controversial results of board composition, ownership structure on dividend payout ratios of Pakistani companies listed in Karachi Stock Exchange. Therefore, to view the clear picture of div-policy, a unique kind of question arises here in view of the controversial results about the various mechanism and types of the numerous composition of board and structure of ownership influence individually at what level the dividend mechanism and policy?

1.2 Objectives of the Study

The main objective of the study encompasses the determining effect of the firms ownership structure and the composition of the board on the dividend policy of these selected firms. The study also elaborates the various characteristics impacts on the firs policy regarding dividend.

2.   Literature Review

Kelin (2002) found that there is negative relationship with dividend policy due to the unbalances of non-executive directors. As the non-executive directors working as just monitoring the board if they are balanced then there will be positive significant relationship. Wei, Zhang et al. (2003) describes the role and importance of ownership structure and its association with the firm policy of dividend. The study mainly analyzed huge sample of Chinese based firms to explore their relationship and asserted that stock dividend can negatively affect the ownership mechanism and the same study evidenced cash dividend is vital to influence the level of ownership positively. Which means that higher the government ownership leads to higher dividend rates and higher the public ownership leads to higher stock dividend rates? Conclusions of the study are that the management of Chinese listed firms lead to preferences of various and different types of shareholders.

Fariha (2003) highlighted the importance of the firm dividend policy in encouraging ownership level and the findings reported non-executive directors as it carry positive

effect to level of the ownership and also portrayed that if there is unsatisfactory monitoring occurs then the non-executive directors may influence to pay higher dividends by the firms to reduce the agency costs. Huafang and Jianguo (2007) analyze the influence and importance of both composition of the board and ownership structure with the firm level of voluntary disclosure. Study has conducted in china, he used simple main OLS to examine the relationship among board composition, voluntary disclosure and ownership structure. They used sample size of 559 observations of all firms in 2002. High block ownership holders and foreign ownership holders have relation with the increased disclosure. His results depict that the state ownership and managerial ownership, and auditor ownership have no relation to voluntary disclosure. Furthermore, CEO duality lesser related to the disclosure and independent director have impact on disclosure.

Truong and Heaney (2007) tests the relationship of largest shareholders and dividend policy by using sample containing a number of 8,279 companies covering the firms of 37 countries. Their study emphases on both perspectives of dividend that firms have pay dividend or not and also that what is the percent of paying dividend. They viewed its importance and reports that firms having ability to paying dividends as when the firm earn high profit, low debt position, limited investment opportunities while shareholders are not in large number in the inside position of the company. Furthermore, when the shareholders are in large numbers the firm decide to pay dividend when they are either any of the insider as well as financial institution. It is also seeming that high shareholdings and payment of dividends are associated also consistent with the existing literature.

Ullah et al. (2012) has also found that there is negative significant relationship between foreign shareholder and dividend payout policy. Khan (2006) in their study inspected the connection among the structure of ownership and dividend and panel data was gathered of 330 largest UK corporations. To control unnoticed firms' particular effects. Findings showed that in concentrated ownership and dividend payments were negatively correlated and while over in the insurance company's composition of ownership was positive interrelated detected or the shareholders and for individual was negatively related. Results of this study favor the agency model which indicated that dividend payout policy was alternative for the bad monitoring by the shareholders of the firm however it could be described by existence of inflectional principals they are capable to enforce preferred dividend payment policy on the firms.

AFZAL and SEHRISH (2008) explore the relationship between corporate dividend policy and governance practices. They collect the data of 42 firms listed in (KSE) for five years from 2005 -2009 by using OLS, Logit and Probit regression model. The results of their studies showed that firm size and board size as well as investment opportunities have positive and significant relationship with dividend paid. However, individual ownership and insider ownership results of Logit and Probit models were negative while profitability is significant and positive relationship with dividend decision. Furthermore, dividend decision was insignificant but positive relationship with Investment opportunities. Their study also contributes a comprehensive view of low dividend paying practices used by the corporate authorities of Pakistani firms. Importantly, Researcher have been explained the composition of the role to making the dividend policy explained by very clearly.

Casey, Jr et al. (2009) studied the relationship between CG in industry of regulated insurance and dividend payment. They use the agency model and Rozeff's transaction of cost. The data of 55 insurance companies gathered for five years. In relation to

agency concept of dividend functioning to lessen the need of organization supervision. They found that no link between CG and dividend payout policy in insurance industry. Furthermore, the CG proportion (CGQ) is a newer one tactic designed in 2001, that why limited use has done in past research. Extensive work required to analyze the optimal use of CGQ as right tools of CG. There is no need of external monitoring also as compelled by increase dividend payouts. Abor and Bokpin (2010) study the dividend payout policy and corporate finance along investment policy. Their sample size comprises on 34 countries emerging markets for a period of 17-years from 1990 to 2006 and used fixed effects panel model. They found significant negative association between investment opportunities and dividend payout policy. However, their results showed insignificant effects of external debt, debt maturity and financial leverage on dividend payout policy. They identified the influence of capitalization of stock market and profitability on dividend payout policy which are important elements for the firms.

Whereas profitable firms are in a greater extent to support payments of high dividends. The important aspect of their study is that they used large number of data set from emerging market countries in respect of facts. Arshad et al. (2013) found that there is a negative significant association between CEO duality and dividend policy this because the Chief Executive Officer dual role create conflict in the decision and cannot efficiently control the board, separation of CEO duality is a good sign for the CG practices recommended by (Cadbury, 1992). Bhutto (2015) found that Individual Ownership contribute that there is a negative insignificant with corporate divined yield. This is because, the individual investor normally doesn't invest for the purpose of long run investment but for short term only to gain high capital appreciation by selling the shares and rotated this investment circle for the purpose just merely avoid to pay double tax in the shape of dividend tax payments.

2.1 Hypotheses of the Study

This study examines the board composition, ownership structure and dividend payout policy and following hypothesis was developed:

Hypothesis 1

H_0: Dividend policy (dividend decision and ratio) has no significant effect on characteristics of board composition of KSE 100 Index listed companies.
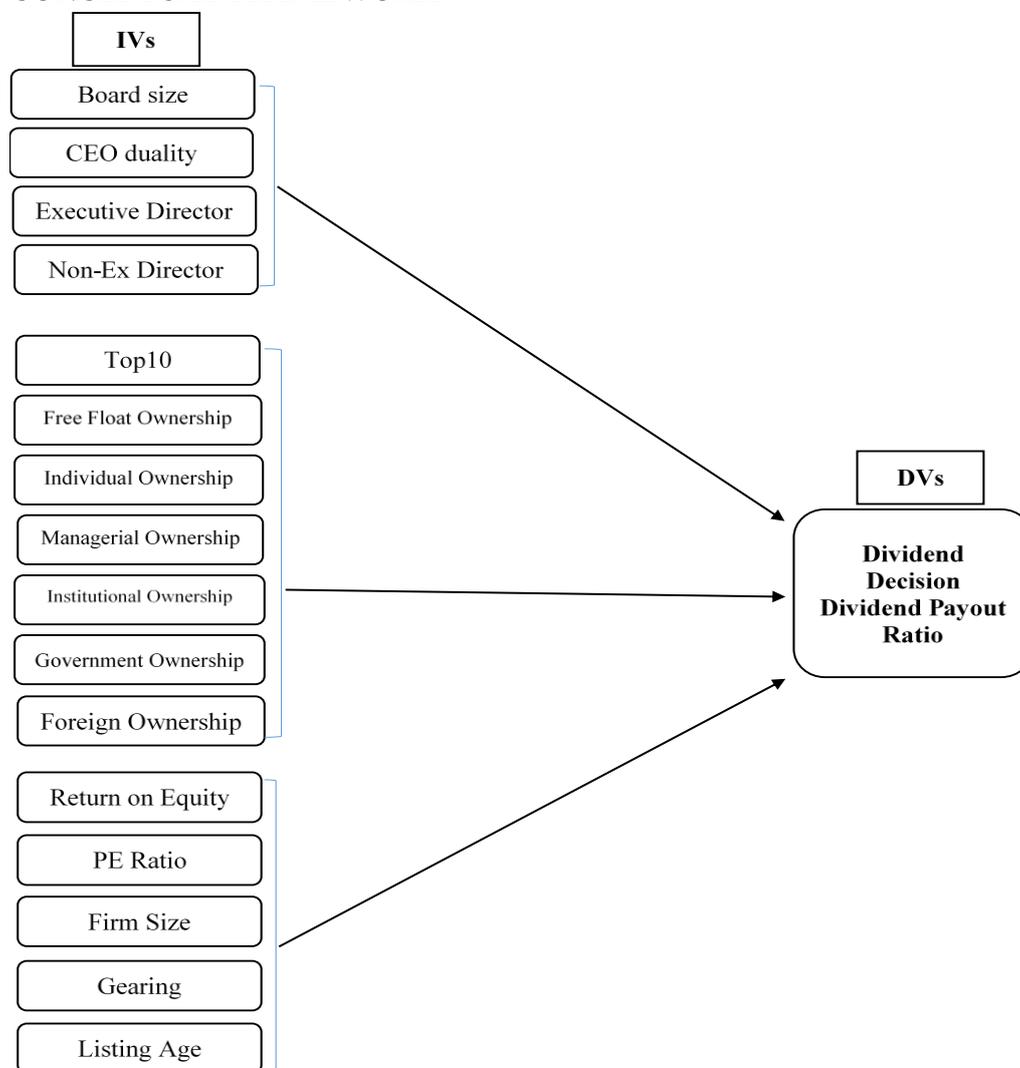
Hypothesis 2

H_0: Dividend policy (dividend decision and ratio) has no significant effect on ownership structure of KSE 100 Index listed companies.

Hypothesis 3

H_0: Dividend policy (dividend decision and ratio) has no significant effect on firm specific characteristics of KSE 100 Index listed companies.

CONCEPTUAL FRAMEWORK

3. Research Methodology

3.1 Data and Sources

Secondary data obtained from KSE 100 Index companies for a period of ten-year 2005 to 2014 with a large sample size, balanced panel data with 1000 observations.

   (Balanced Panel data Observations = No. of Companies x No. of years)

The companies included in sample met following criteria:

▪ Only, final dividend is used during the year, no short-term, special dividends and extra ordinary dividend were excluded.

▪ Companies must end on 30th June of the financial year.

▪ Companies also not included with the accounting period change during the financial year.

▪ Companies should be listed on Karachi Stock Exchange (KSE) during the period.

▪ To avoid puzzling effects, other special announcement of corporate decisions like extra dividend announced, bonuses issued, and repurchases shares were disqualified from the final sample during the financial year.

Dependent Variables
Dividend Decision
Dividend decision define as the estimation of model regarding whether a company chooses to pay dividends or not (Pay=1, Not=0).

Dividend Payout Ratio
Shares indicate portion of the ownership in the company. It is measured by dividend per share divided by Market price per share. (Redding, 1977)

Dividend per Share
Dividend amount which received by the shareholders in against of every share it can be measures as total dividend by dividing the numbers of shares.

$$DPS = \frac{Total\ dividend}{No\ of\ shares}$$

Earnings per Share
Common shares profit by the company outstanding. Calculating as

$$EPS = \frac{n.income - preferred\ stock\ dividend}{avg\ outstanding\ shares}$$

Independent Variables
Board Composition
Board Size
Total number of directors sitting on the board. The same measure has been used by (Abdelsalam et al., 2008).

Executive Director
Ratio of Executive director on the board dividend by Total number of directors. (Haniffa and Cooke, 2002).

Duality role
Role duality in this study it is used as dummy variables and measured by 0 and 1. The same measure has been used by Forker,1992).

Non-Executive Director
Ratio of Non-Executive Director on the board (Forker,1992).

Ownership Structure
Top 10 Shareholders (Block holder)
Proportion of shares kept by the larger shareholdings. We use (10 percent block holders) in this study. The same measure has been used by (Jensen and Meckling, 1976).

Free Float Ownership
Percentage of shares held by Outsiders divided total number of shares outstanding (Jensen and Meckling, 1976).

Individual Ownership
Percentage of individual investors is called individual ownership Khan, (2006).

Managerial Ownership
Managerial ownership refers total ratio of shares held by the BOD. The same measure has been used by Lasfer (2006**).**

Institutional Ownership
It is measured by ratio of total shares owned by institutional investors is divided by total number of issued shares. The same measure has been used by (Diamond and Verrecchia, 1991).

Government Ownership
Government ownership defined as the sum of proportion of shares kept by the Govt. The same measure has been used by (Abdelsalam *et al.*, 2008).

Foreign Ownership
It is measured by total shares owned by foreigner's divided by total number of issued shares. The same measure has been used by (Haniffa and Cooke, 2002).

Control Variables
ROE
It is measured by Net income/ Total owners' equity. (Avazian *et al.* 2003; Mayers and Frank, 2004).

PE Ratio
According to Alonso, (2000) and Al-Malkawi, (2007) researchers PE ratio of a firm is an effective sign of firm's development. It is measured by market price per share dividend by earning per share.

Firm Size

The same measure has been used by (Saher, Bilal and Tufail, 2013). It is measured by natural log of total assets.

Gearing

It is important exploratory variable studded by (Haniffa and Cooke, 2002; Srinivasan and Palepu, 2004). It is measured by total debt divided by total asset.

Listing Age

Listing age is defined as the length of time of corporations registered on equity market. (Choi, 1973; Spero, 1979).

To provide empirical testing to the hypotheses addressed in the study, OLS regression analysis is used to test the association between the dependent variables of dividend policy and the independent variables of ownership structure and board composition. The following model equation is estimated (Abdelsalam *et al.*, 2008).

Dependent Variable$=\alpha+\beta$Independent Variables$+\beta$Control Variables$+ \varepsilon$

Dividend Decision$=\alpha_0+\beta_1$BSIZE$+\beta_2$DROLE$+\beta_3$EXEDIR$+\beta_4$NONEXDIR$+\beta_5$TOP10$+\beta_6$FFLOAT$+\beta_7$INDOWN$+\beta_8$MONOWN$+\beta_9$INSTOWN$+\beta_{10}$GOVOWN$+\beta_{11}$FOREIOWN$+\beta_{12}$ROE$+\beta_{13}$PERATIO$+\beta_{14}$FS$+\beta_{15}$GEARING$+\beta_{16}$LAGE$+\varepsilon_0$……………… (1)

Dividend Payout$=\alpha_0+\beta_1$BSIZE$+\beta_2$DROLE$+\beta_3$EXEDIR$+\beta_4$NONEXDIR$+\beta_5$TOP10$+\beta_6$FFLOAT$+\beta_7$INDOWN$+\beta_8$MONOWN$+\beta_9$INSTOWN$+\beta_{10}$GOVOWN$+\beta_{11}$FOREIOWN$+\beta_{12}$ROE$+\beta_{13}$PERATIO$+\beta_{14}$FS$+\beta_{15}$GEARING$+\beta_{16}$LAGE$+\varepsilon$……………… (2)

4. Empirical Results and Discussion

To analyze the effect of corporate governance characteristics on dividend decision and dividend payout ratio financial of non-financial firms listed in Karachi Stock Exchange 100 Index of Pakistan, the logistic regression and Probit analysis are used for the study. All the tests arecomprising on three different steps these are Descriptive Statistics, Correlation Matrix and Multiple Regression Analysis which are explained one by one in next:

4.2 Correlation Matrix

Table 2: Correlation Matrix

	DY	DD	BSIZE	DROLE	EXDIR	NONEXDIR	TOP10	FFLOAT	INDOW	MANOWN	INSOWN	GOVOWN	FOREIOWN	ROE	PERATIO	FS	GEARING	LAGE
DY	1.00																	
DD	0.30	1.00																
BSIZE	0.18	0.03	1.00															
DROLE	0.10	-0.14	0.17	1.00														
EXDIR	-0.02	0.04	-0.47	-0.09	1.00													
NONEXDIR	-0.06	0.05	-0.31	-0.22	0.35	1.00												
TOP10	-0.01	-0.06	-0.15	0.10	0.17	0.07	1.00											
FFLOAT	0.04	0.02	0.04	0.08	0.01	0.11	-0.04	1.00										
INDOW	-0.08	-0.02	-0.18	-0.15	0.15	0.08	-0.04	-0.04	1.00									
MANOWN	0.04	-0.01	0.01	-0.11	-0.02	0.25	0.13	0.04	-0.04	1.00								
INSOWN	-0.01	-0.06	0.17	0.15	0.05	-0.14	0.05	0.06	-0.06	-0.12	1.00							
GOVOWN	0.08	0.13	-0.04	0.02	0.15	0.04	-0.02	0.02	0.00	-0.12	0.13	1.00						
FOREIOWN	-0.03	-0.07	0.11	0.15	0.00	-0.03	-0.05	-0.02	-0.10	-0.22	0.08	-0.07	1.00					
ROE	0.27	0.26	0.06	0.05	-0.02	-0.01	0.10	0.07	-0.11	0.07	0.06	0.09	0.04	1.00				
PERATIO	-0.05	0.03	0.00	0.00	-0.01	0.03	0.01	-0.02	0.00	-0.01	0.04	-0.02	-0.01	0.01	1.00			
FS	0.08	-0.08	0.07	0.25	0.08	-0.14	0.05	0.07	-0.03	-0.04	0.10	0.19	0.09	-0.03	-0.19	1.00		
GEARING	-0.03	0.01	-0.02	0.02	0.01	0.02	0.04	0.02	-0.02	0.02	0.14	-0.02	-0.03	0.04	0.55	-0.15	1.00	
LAGE	-0.05	0.09	0.24	-0.13	-0.05	0.06	-0.02	-0.04	-0.13	0.03	0.09	-0.09	0.14	-0.04	0.06	-0.05	0.03	1.00

Note: DY indicate that dividend yield, where DD is shows dividend decision both are taken as dependent variables.

The Pearson Correlation Coefficient matrix test has been applied to check that whether the ownership structure variables have relations with the dividend decision and Dividend payout policy or not? The above results reveal about the degree of strength and direction among all variables. The standard value of correlation matrix lies between +1 to -1. In the above Matrix table, the value of Board Size (BSIZE) is against the 1st dependent variable i.e. Dividend Yield (DY) is 0.177, it means that board size has moderately positive correlated with dividend yield, as the board size of the firm increase the dividend yield will also increase. Similarly, value of Dual Role (DROLE) of chief executive Officer is 0.099, Free Float Ownership (FFLOAT) is 0.043, Managerial Ownership (MANOWN) is 0.044, Government Ownership (GOVOWN) is 0.078 all these ownerships have also positive correlated with dividend yield it depicts that as these ownership role increases the dividend yield will also increase since these all are moving in the same direction as per correlation matrix. In the above correlation matrix, it indicates that few relationships have strong relationships in the similar or opposite directions such as Executive Directors EXDIR against the boards size has negative strong value i.e. -0.468. Top-10 Shareholders TOP10, Free Float (FFLOAT) and Managerial Ownership (MANOWN) against the Non-Executive Directors (NONEXDIR) positive values 0.749, 0.108 and 0.253 indicates that there is a strong positive relationship among them. Managerial Ownership (MANOWN) with Top-10 Shareholders (TOP10) containing value 0.130 have also strong positive relationship. Institutional Ownership (INSOWN), Government Ownership (GOVOWN) and Foreign Ownership (FOREIOWN) have strong negative relationship with Managerial Ownership (MANOWN) as per their values -0.124, -0.11789 and -0.215. Institutional Ownership and (INSOWN), Government Ownership (GOVOWN) have strong positive relationship lies in between them 0.125.

Multiple Regression Analysis
Panel Least Squares (unbalanced) observations: 927, Cross Sections: 93, Period: 10

Variables	Coefficient (β)	Std. Error	t-Statistic	Prob.
C	-0.089	0.035	-2.545	0.011
BSIZE	0.009	0.002	5.227	0.000***
EXDIR	0.021	0.011	1.927	0.054**
DROLE	0.172	0.071	2.437	0.015***
NONEXDIR	-0.013	0.042	-0.316	0.752
TOP10	-0.015	0.017	-0.917	0.359
FFLOAT	0.024	0.092	0.260	0.795
INDOW	-0.032	0.042	-0.760	0.448
MANOWN	0.015	0.023	0.646	0.519
INSOWN	-0.127	0.055	-2.309	0.021***
GOVOWN	0.145	0.112	1.300	0.019***
FOREIOWN	-0.079	0.038	-2.097	0.036**
ROE	0.135	0.017	7.957	0.000***
PERATIO	0.000	0.000	-1.069	0.286
FS	0.002	0.002	1.429	0.153
GEARING	0.000	0.001	0.047	0.962
LAGE	0.000	0.000	-0.740	0.460
R-squared	0.426	Log likelihood		867.76
Ad. R squared	0.390	F-statistic		0.0018
S. D	0.102	Prob.(F-statistic)		0.00
		Durbin-Watson stat		1.97

***, **, * are statistically significant at 1%, 5%, 10%, respectively.

Note: OLS model shows all the variables results includes such as Board composition, Ownership structure and firm specific Characteristics variables more importantly DROLE is a dummy variable we used in our study. All the hypotheses were tested by using two different regression model. The model has been divided into two categories to test the hypothesis according the variables multiple regression has been applied to check the influence of corporate governance on dividend decision and dividend payout as per above results. In the above regression model P-value of model depicts that model is strongly fit at a=1%, and α=5% level of significance. The value of R-square is 0.426 which reveals that model predicts 42% of the total variation in the dependent's variables due change in the independent variables and 58% influence is due to other unexplainable factors moreover the P-value of F-Statistics is also 0.0018 and indicating that model is overall fit. Looking in the above table, it is evident that the four predictors BSIZE, EXDIR, DROLE of Chief Executive, GOVOWN and ROE are significant and positive, however two predictors FOREIOWN and INSOWN have significant but negative, which does matter. P-value of Board Size is 0, its corresponding t-value is 5.227 which is greater than standard value 1.95 and coefficient (β) value is 0.009 it depicts that size of board have significant but tiny effect on dividend payout policy.

Dual role of Chief Executive coefficient (β) value is 0.020 with its P- value 0.054 which evidenced that DROLE also minor but positive significant effect on dividend decision. Whereas, Executive directors and Government ownership have moderately significant effect on dividend payout policy. However, two variables institutional ownership and foreign ownership have moderately significant but negative influence on dividend payout policy. Afzal & Sherish, (2008) found that institutional ownership has significantly negative influence on dividend payout ratio. However, the three predictors these are non-executive directors, top10 shareholders and individual ownership have insignificant negative but free float ownership and managerial ownership have insignificant positive influence on dividend payout policy. Bhutto (2015) found that individual ownership contributes that there is a negative insignificant with corporate dividend yield. Khan (2006) ascertained that the top 10 shareholders are negatively associated with dividends. Kelin (2002) found that there is negative relationship with dividend policy due to the unbalances of non-executive directors. As the non-executive directors working as just monitoring the board, if they are balanced then there will be positive significant relationship. Odia and Ogiedu, (2010) have tested the relationship dividend payout with managerial ownership and established that there is insignificant positive relationship in between them.

4.4 Binary Logit Analysis
Binary Logit (DD) (unbalanced) observations: 927, Cross Sections: 93, Period: 10

Variables	Coefficient (β)	Std. Error	Z-Statistic	Prob.
C	2.498	1.092	2.286	0.022
BSIZE	0.099	0.051	1.934	0.053**
DROLE	-1.765	0.519	-3.401	0.001***
EXDIR	4.408	2.068	2.132	0.033**
NONEXDIR	0.092	1.142	0.080	0.936
TOP10	-1.022	0.486	-2.102	0.036**
FFLOAT	2.058	2.785	0.739	0.460
INDOW	-1.412	1.279	-1.104	0.269
MANOWN	-0.892	0.640	-1.394	0.163
INSOWN	-4.371	1.529	-2.858	0.004***
GOVOWN	14.293	3.695	3.868	0.000***
FOREIOWN	-2.537	1.003	-2.528	0.012***
ROE	4.237	0.565	7.496	0.000***
PERATIO	0.000	0.000	0.511	0.609
FS	-0.080	0.047	-1.705	0.088*
GEARING	0.005	0.021	0.251	0.802
LAGE	0.019	0.006	3.211	0.001***
R-squared	0.426	**Log likelihood**		867.76
Ad. R-squared	0.390	**F-statistic**		0.0018
S. D	0.102	**Prob.(F-statistic)**		0.00
No. of Observations	927	**Durbin-Watson stat**		1.97

***, **, * are statistically significant at 1%, 5%, 10% level respectively.

Note: for analysis of Dividend decision model we include all 16 variables, in this model we check the impact of all independent variables on dependent variable (DD) dividend decision.

The second test of logistic regression has been applied to test the categorical variables, In the given results, there are five predictors of corporate governance characteristics and firm specific characteristics such as BSIZE, EXDIR, GOVOWN, ROE and LAGE have significant positive influence on dividend decision as per P- values, 0.053, 0.033, 0.000, 0.000 and 0.001 corresponding to its Z-statistics values 1.934, 2.132, 3.868, 7.496 & 3.211 and β values are 0.099, 4.408 & 14.293, 4.237,0.019 respectively. The five predictors are significant however negatively responded. These are DROLE of Chief Executive officer, Top10 Shareholders, INSOWN, FOREIOWN and FS as per their P-Values 0.0007, 0.0356, 0.0043, 0.0115 and 0.088 corresponding to their Z-statistics values -3.401, -2.102, -2.858 & -2.528 and -1.705. Their coefficient of determination (β) values depicts that D-Role 17% Top-10 shareholders 10%, institutional ownership 43%, foreign ownership 25 % and firm size 1% influenced negatively on the dividend decision. As referred in the previous results of this study it was cited that Afzal and Sherish, (2008) has also found that Institutional ownership have significantly negative influence on dividend payout ratio. Ullah *et al.* (2012) has also found that there is negative significant relationship between foreign shareholder and dividend payout policy. Arshad *et al.* (2013) found that there is a negative significant association between CEO duality and dividend policy this because the Chief Executive Officer dual role create conflict in the decision and cannot efficiently control the board, separation of CEO position is a good sign for the CG practices recommended by (Cadbury, 1992).In addition to the above, four predictors insignificant but positively responded to the dependent variable dividend decision these are Non-Executive Directors, Free Float Ownership, PE and Gearing ratios as per their P-values 0.935, 0.459, 0.609 & 0.801 parallel to their Z-statistic 0.803, 0.739, 0.511 & 0.251. Whereas, three predictors insignificant also negatively responded to the dividend decision. Fariha (2003) argued that there is positive relationship between non-executive director and dividend if there is unsatisfactory monitoring occurs then the non-executive directors may influence to pay higher dividends by the firms to reduce the agency costs.

5. Conclusion

Firms which follow Corporate Governance practices leads to efficient and also protecting to its all stakeholders. In Pakistan, there is dire need to follow the CG practices particularly there are firms in large numbers which holds by some families and don't want to implement CG practices in its true spirits code of corporate governance. However, according to previous studies to reduce the agency problems the firms have to pay dividend for the best interest of the firm growth. Firms who have higher profitability and stable earnings may have to pay dividends rather than to hold. The dividend signal advance in the market have good reputation in the market, unfortunately the Pakistani firms have not decision in the favor of dividend payout policy by comparing the other Emerging and Asian markets have set their dividend policies in the best interest of the all stakeholders and growth of the firms.

Our study's focuses on major Corporate Governance decision is dividend decision whether Board Composition and ownership structure have influences on the dividend decision and dividend payout policy. According to both OLS and Logistic Regression results, the Board Size (BSIZE), Executive Directors and Government Ownership are significantly positive, it is found that these three characteristics recommending for dividend payout policy for the best interest of firm as well as general investment purpose. However, the CEO in the OLS test is also significantly positive but in second test of logistic regression is negative, separation of CEO duality is a good sign for the CG practices recommended by Cadbury, 1992. The decision of all members of Board except executive directors is against the dividend payout policy this is because the maximum in number of firms having major family members in Corporate Governance Boards and therefore, the firms don't in favor of dividend payment. In this study, we tried to cover maximum number of characteristics of CG which are involve in the firms listed in Karachi Stock Exchange regarding the payments of dividend for the entire satisfaction of all stakeholders of the company. In Pakistani firms Corporate Governance is not working efficiently this is because the maximum number of family owned firms have relative and friends of the owners, which holds major positions and their decision not in the favor of firms' growth due to this reason the firms also not follow the CG code practices which was revised in 2nd time in 2012.For this study, Karachi Stock Exchange 100 index is focused for the generalization of the study, from which 93 companies' data was gather for period of 10 years from 2005 to 2014 through reliable sources and from their websites but due to limited sources and 7 companies were not approached as their financial information's are found on their websites. Generally, firms, do not follow any pet rule to display their financial information on their websites.

5.1 Recommendations

To ensure the efficient growth, to align the firms' governance with the corporate governance code 2012 of Pakistan and also for the entire satisfaction of the all stakeholders, the management of KSE-100 index listed firms must have to ensure about the implications of governance practices, it should also confirm that the entire market receive the correct information about the governance practices implicated in the firm so that:

- The all stakeholders and security holders in the investment community to have purposeful talk with board and firms' management on corporate issues.
- Security holders can add that information into their judgement on how to vote on specific resolutions
- Investors can add that information into their judgement on whether or not to invest in the entity's securities.
- KSE-100 index listed firms must establish and reveal about the roles and duties of corporate board and management and also clearly disclose that the performance of board is monitored and evaluated.
- The management must act as morally and responsibly.
- Listed firms must have formal independently confirm and safe-conduct the truthfulness of reporting listed firms must ensure about timely balanced disclosure of

all the affairs relating to it that a rational individual would presume to have a considerable influence on value or price of its shares or securities.

• Listed firms must establish a comprehensive framework of risk management and assess its effectiveness from time to time for good reputation and recognition of the company.

• The most important recommendation is that the firms must pay a sufficient amount of remuneration to attract and hold the high caliber directors, plan their remunerations increments to motivate them and align their interests with the creation of value for all stakeholders of the firms.

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