

BOARD DYNAMICS, OWNERSHIP, AND DIVIDEND POLICY: TOBIT MODEL EVIDENCE FROM BANGLADESHI COMMERCIAL BANKS

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ABSTRACT

Dividend payout decisions in commercial banks are closely associated with board composition and ownership structure. However, the direction and magnitude of these relationships remain uncertain, particularly in emerging economies characterized by concentrated ownership and evolving corporate governance frameworks. In Bangladesh, where the banking sector plays a central role in the financial system and operates under stringent regulatory oversight, understanding the governance determinants of dividend payout represents an important empirical issue. This study examines the effects of board composition and ownership structure on the dividend payout policy of listed commercial banks in Bangladesh. The analysis uses panel data from 19 listed commercial banks, covering the period from 2017 to 2023, yielding 133 firm-year observations. A Tobit regression model is applied to account for the censored nature of dividend payout ratios and to estimate the relationships between governance characteristics and dividend policy. The results indicate a statistically significant model ($F = 8.34, p < .01$). Dividend payout is positively influenced by board size ($1.786, p < .05$), board independence ($1.360, p < .05$), and board meeting frequency ($0.951, p < .05$), while gender diversity ($-0.850, p < .01$) negatively influences it. For ownership structure, state ownership ($-1.344, p < .01$) and foreign ownership ($-1.100, p < .05$) decrease dividend payout. In contrast, institutional ownership and insider ownership are statistically insignificant ($p > .1$). Overall, the findings demonstrate that board composition and ownership structure contribute to variations in dividend payout among Bangladeshi listed commercial banks over the study period.

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INTRODUCTION

Dividend policy remains one of the most widely debated issues in corporate finance because it reflects a firm's decision to balance current shareholder returns with future investment needs. Although this problem is significant across industries, it is especially vital in banking, since banks' dividend payments should meet shareholders' needs without compromising capital adequacy, regulatory compliance, or the banks' financial stability. In this respect, dividends paid by banks are seen both as earnings distribution and signals of financial strength and management's expectations regarding future performance (Fachraesy et al., 2025).

As interest in the determinants of corporate payout decisions has grown, corporate governance has emerged as an important explanatory framework. Sound governance enhances managerial accountability, strengthens oversight of corporate resources, and improves the quality of strategic decision-making, all of which may influence how firms allocate earnings between dividends and retained profits. (Boshnak, 2023; Kaur & Kaur, 2025; Tawfik et al., 2025). Board composition has become one of the most widely examined aspects of corporate governance because the board of directors oversees management and approves major financial decisions. How well the board performs this role can depend on its composition. Board size and board independence may strengthen monitoring and improve the quality of financial decisions (Juhmani, 2020; Nazar, 2021). Board gender diversity can also bring different perspectives to board discussions, which may influence dividend decisions (Fauziah et al., 2022; Narang et al., 2025). In addition, boards that meet more frequently are generally better able to oversee financial matters and support effective decision-making (Saliya & Dogukanli, 2022).

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Ownership structure is another important dimension of corporate governance, as different shareholder groups often have distinct objectives regarding the distribution of corporate earnings. Institutional investors generally place greater emphasis on governance quality and shareholder returns (Abdullahi et al., 2026; Tawfik et al., 2025), whereas insider owners may prefer retaining earnings to finance future investment and maintain managerial control (Tawfik et al., 2025). The extent to which foreign ownership influences dividend decisions remains open to debate, particularly across different institutional settings (Boshnak, 2023; Fachraesy et al., 2025). State ownership may also influence dividend decisions because governments frequently pursue broader economic and policy objectives in addition to financial returns (Bataineh, 2021; Moin et al., 2020). These differences suggest that ownership arrangements can shape firms' dividend policies through varying incentives, monitoring roles, and governance preferences, making ownership structure a continuing focus of dividend policy research (Abdullahi et al., 2026; Bataineh, 2021; Hasan et al., 2023).

Despite the substantial literature on corporate governance and dividend policy, certain knowledge gaps persist. Although the influence of governance mechanisms on dividend payout has been extensively explored across emerging markets, including Bangladesh, most available studies have focused on nonfinancial companies, and few have examined the topic in the banking sector. The absence of relevant information is especially important due to the fact that Bangladesh is a country with concentrated ownership and rather poor protection for minority investors (Hasan et al., 2023). Consequently, corporate governance in the country is likely to affect dividend decisions in a manner different from that observed in most other countries.

So, the present research seeks to answer the following question: To what extent do board composition and ownership structure influence the dividend payout policy of listed commercial banks in Bangladesh? The goal here is to identify how corporate governance variables influence dividend payout policy in Bangladeshi commercial banks. To do this, the research employs panel data from 19 listed commercial banks for the years 2017-2023. It uses the Tobit regression model, which is suitable for the censored nature of dividend payout data.

The rest of the paper is structured as follows: First, a brief literature review is presented, leading to the formulation of study hypotheses based on theoretical concepts and existing empirical evidence. In the next section, the data, variables, and empirical methodology employed in the study are described. The following section presents the empirical results obtained. The subsequent section discusses the findings in relation to the existing literature and theoretical perspectives. The next section concludes with a summary of the main findings, their implications, and directions for future research.

LITERATURE REVIEW

The link between corporate governance and dividend policy has been explored, but prior research has yielded inconsistent results. Some of the theoretical perspectives explaining the link between the two concepts include agency theory, signaling theory, outcome theory, and substitute theory. According to Jensen and Meckling (1976), conflict arises from differences between the interests of a firm's management and its shareholders. In their view, dividends help minimize the conflicts by reducing the cash available for managers. Miller and Modigliani (1961) maintain that the dividend policy does not affect firm value in perfect markets, even though stock prices do react to changes in dividends. Signaling theory claims that dividend changes provide useful signals concerning a company's future performance, whereby an increase in dividends shows favorable performance, while a reduction in dividends suggests poor performance (John & Williams, 1985). Under the outcome theory, dividends are considered as the consequence of corporate governance practices. Managers in well-governed companies work for the welfare of the shareholders by engaging in wealth-maximizing activities and issuing dividends. Conversely, managers in poorly governed organizations might attempt to maximize their own personal wealth by issuing small or no dividends at all (DeAngelo et al., 2006; La Porta et al., 2000). Alternatively, the theory of substitutes holds that firms with poor corporate governance practices tend to issue higher dividends in order to create a good reputation in the eyes of their shareholders (La Porta et al., 2000). Thus, dividend payments act as an alternative method to increase shareholders' trust (Sawicki, 2009).

Board size can be considered another corporate governance tool that can impact the decision to pay dividends through increasing monitoring activities and safeguarding shareholders' rights. According to the theories of agency and resource dependence, large-sized boards have more experts, experience, and outside connections that facilitate better monitoring of managers and motivate them to share profits with their shareholders. Almost all empirical research shows a positive role for board size in the decision to pay dividends. Elmaghri et al. (2017) identify a positive relationship between board size and dividend payout in UK SMEs. Likewise, Juhmani (2020) shows the existence of such a positive relationship in Bahrain. Other positive results were obtained by Jalal et al. (2023) in Palestine, Khan (2022) in Turkey, Nazar (2021) in Sri Lanka, and Sumail (2018) in Indonesia. In other words, large boards are more effective at monitoring managers and resolving conflicts of interest, thereby leading companies to distribute more dividends to their shareholders.

However, some studies provide contrasting evidence. According to Tawfik et al. (2025), the dividend payout ratio is negatively related to board size for companies operating in the Gulf Cooperation Council (GCC). Likewise, Henry and Yahaya (2024) find that larger boards have lower dividend distributions due to more cautious financial policies. In contrast to these studies, Boshnak (2023) finds that board size does not significantly affect dividend payments in Saudi Arabia. Overall, the existing literature provides mixed evidence, although most studies support the view that firms with larger boards tend to pay higher dividends.

It is often perceived that outside directors are more independent than executive directors and thus are likely to be more concerned with shareholders' interests, thereby supporting a positive link between board independence and dividend decisions. Dividends might serve as an external control mechanism in cases of poor internal governance. Independent

directors have been observed to distribute more dividends compared to others. Nevertheless, a lack of detailed information about the firm's operations and limited experience within such firms can cause independent directors to make more conservative dividend payment decisions.

Empirical research on the link between board independence and dividend decisions yields conflicting findings. Henry and Yahaya (2024) and Tawfik et al. (2025) suggest a positive association, as board independence positively influences dividend payout decision-making. Therefore, dividend decision-making can be improved by establishing an independent board to serve stakeholders' needs better. In the case of a negative association, researchers are Juhmani (2020) and Nazar (2021). They state that greater board independence leads to lower dividend payout decisions because companies are more concerned with corporate governance and retention.

Various researchers have found no significant association between the variables under discussion. They include Boshnak (2023), Elmagrhi et al. (2017), Jalal et al. (2023), and Khan (2022). Overall, although there are several conflicting findings, the theory of more effective monitoring and better protection of shareholders' interests supports the idea that firms with independent boards can pay higher dividends.

Many individuals believe that the presence of women on corporate boards can contribute significantly to management and financial matters within firms, including dividend distribution to shareholders, and foster equality. There are several research studies indicating that the gender diversity of the board members, whether in terms of women's representation on the board of directors or the percentage of women on the board, plays an important role in determining the dividend policy of the firm. For instance, Henry and Yahaya (2024) examined the influence of board composition on the firm's dividend policy. They concluded that there is a significant positive relationship between gender diversity and dividend payments. The same is indicated by Jalal et al. (2023) and Yousef et al. (2024), who also noted that the more diverse a board is in terms of gender, the more dividend distributions companies make. In other words, firms with more females on the board are likely to be more shareholder-centric and will make higher dividend payments.

However, Elmagrhi et al. (2017) and Fauziah et al. (2022) found a negative correlation between board gender diversity and dividend payout; hence, firms with more women on their boards will retain more of their profits and pay lower dividends.

On the contrary, according to the findings of Khan (2022) and Saliya and Dogukanli (2022), having women on boards does not significantly affect firms' dividend payments. This implies that having women on boards may not necessarily affect dividend-payment decisions, especially when there are fewer women on boards.

Board meeting frequency is expected to be associated with greater board monitoring. Following the substitute theory, La Porta et al. (2000) argue that board meeting frequency and dividends may be alternative mechanisms to deal with agency problems; thus, higher meeting frequency is related to lower dividend payouts. Instead, Sawicki (2009) suggests a signaling view in which firms may raise dividends to alleviate concerns about intensive board monitoring. Outcome theory, however, predicts a positive relationship, as stronger board monitoring leads to better governance and higher dividend payouts.

The findings, however, are not consistent. Boshnak (2023) notes a positive correlation, claiming that dividend payout probability and dividend per share increase as the number of board meetings increases for firms from GCC countries. In addition, Mai et al. (2023) note a positive correlation, finding that high dividend payout is due to board interaction in Indonesian banks.

However, Elmagrhi et al. (2017) report a negative relationship, arguing that board meeting frequency negatively influences dividend policy in UK small and medium enterprises. Such a conclusion was reached in Saliya and Dogukanli's research (2022), where the authors established a negative relationship between board meetings and dividends. According to Jalal et al. (2023), Juhmani (2020), and Khan (2022), no relationship was found. This means the frequency of board meetings does not consistently affect dividend payments.

State ownership, also called government ownership, captures the fraction of shares held by the government. It is unclear how this variable influences the dividend policy. On the one hand, the government can require higher dividends to raise revenue, while on the other hand, it may prefer lower dividends for reinvestment.

The evidence is inconsistent, although many studies find a negative relation between state ownership and dividends. Supporting a positive relationship, Setiawan et al. (2016) find that state-owned enterprises pay more dividends because the government needs the cash flow from paying dividends.

The majority of research, however, finds a negative relationship. Moin et al. (2020) suggest a considerable negative association between state ownership and cash dividends. Moreover, government ownership has been observed to negatively affect dividends paid by nonfinancial firms in Bangladesh, as reported by Hasan et al. (2023). Additionally, Tawfik et al. (2025) identify a negative correlation between government ownership and dividends paid. However, Bataneh (2021) and Boshnak (2023) found no significant relationship between these two variables. Generally, while there is evidence suggesting the government uses dividends to extract cash from state-owned companies, most research finds that state ownership is associated with lower dividends because government-owned firms tend to retain earnings for strategic and socio-economic purposes.

Institutional ownership is one of the crucial factors that influence dividend payout decisions since institutional owners can either substitute dividends by monitoring directly or require higher dividends to secure their interests. If institutional owners directly monitor their companies' performance, there is no necessity to pay dividends as a form of corporate governance. However, when they cannot or are unwilling to control company activities, they can pressure companies to pay higher dividends, thereby reducing free cash flows and limiting opportunities for managerial exploitation.

The study by Bataineh (2021) supports the outcome theory, indicating a positive correlation between institutional ownership and dividend payout, as institutional owners are unable to monitor business activities effectively and therefore require higher dividends to protect their investments.

Studies by Boshnak (2023), Khan (2022), Sumail (2018), and Tawfik et al. (2025) suggest a significant positive relationship between institutional ownership and dividend payout.

On the other hand, Hasan et al. (2023) and Al-Qahtani and Ajina (2017) indicate a significant negative relationship between institutional ownership and dividend payout because institutional investors can monitor managers more easily. However, Jalal et al. (2023) and Juhmani (2020) indicate that there exists no significant relationship between institutional ownership and dividend payout.

Director shareholding is expected to align managers' interests with those of outside shareholders, thereby reducing agency conflicts and associated agency costs. As a result, the need to use high dividend payouts as a monitoring mechanism is reduced (Chen & Steiner, 1999). At the same time, managerial ownership may encourage managers to distribute higher dividends because they directly benefit from dividend payments. In addition, Jensen (1986) draws upon the substitute theory and finds that firms with greater managerial ownership pay smaller dividends due to their absolute voting power in dividend decisions. However, Zwiebel (1996) argues that managers may increase dividends to counterbalance such opportunistic behavior.

Based on the entrenchment theory, Al-Qahtani and Ajina (2017) and Nazar (2021) found a positive correlation between managerial ownership and dividend payments. In this regard, managers who own shares in the company would take measures in the owners' interests, such as through dividend payments.

However, Boshnak (2023), Suherman (2021), Sumail (2018), and Tawfik et al. (2025) found a negative correlation between managerial ownership and dividend payments. The entrenchment hypothesis posits that managers can use retained earnings to finance long-term investments without seeking external funding, a pattern consistent with empirical findings in the literature. Lastly, Juhmani (2020) failed to observe any significant relationship between insider ownership and dividend payout.

Foreign ownership might have opposite effects on dividend policy. First, foreign investors may face greater information asymmetries and require dividends as protection. On the other hand, foreign ownership usually consists of institutions with excellent monitoring capabilities and long-term investment horizons, which helps minimize the agency problem and thus reduces the requirement for dividends.

The previous empirical literature presents contradictory findings. According to Boshnak (2023) and Setiawan et al. (2016), there exists a significant positive correlation between foreign ownership and dividend payout, implying that foreign investors prefer companies to pay more dividends.

In contrast to the results shown above, Al-Najjar and Kilincarslan (2016) reveal that foreign ownership is significantly negatively correlated with the likelihood of paying dividends. Moreover, the literature by Bataineh (2021) and Moin et al. (2020) also shows that foreign owners are inclined to retain earnings and allow the company to grow through further investments, rather than distributing them to shareholders in the form of dividends. Again, another research study conducted in Bangladesh found an insignificant negative correlation between foreign ownership and dividends (Hasan et al., 2023). Therefore, we can conclude that the results remain inconclusive.

This study examines the impact of board composition and ownership structure on the dividend payout policy of listed commercial banks in Bangladesh. Based on the literature reviewed above, the study tests the following hypotheses:

- H₁:** There is a positive relationship between board size and dividend payout.
- H₂:** A positive association exists between board independence and dividend payout.
- H₃:** Dividend payment is positively affected by female directors on boards.
- H₄:** There is a positive relationship between the frequency of board meetings and dividend payout.
- H₅:** There exists a negative correlation between state ownership and dividend payment.
- H₆:** Institutional ownership is negatively correlated with dividend payment.
- H₇:** Insider ownership is negatively related to dividend payout.
- H₈:** Foreign ownership is negatively related to dividend payout policy.

In addition to these variables, firm-level control variables, such as profitability, capital adequacy, firm size, and firm age, are included to reflect variation in dividend payout policy, following previous literature (Boshnak, 2023; Hasan et al., 2023). These authors posit that profitable companies will have high internal cash flow and therefore be better positioned to pay dividends. In contrast, unprofitable companies tend to retain earnings for operational and financial purposes. Likewise, highly capitalized firms are in a better financial position to pay dividends, whereas low capitalization reduces the likelihood of paying dividends. Further, larger firms are expected to pay out more dividends, given that they are well diversified and have easy access to external finance. On the other hand, smaller firms usually retain more earnings due to difficulties accessing finance. Additionally, older firms will pay higher dividends than younger firms, given their steady earnings and lack of growth prospects.

MATERIALS AND METHODS

Sample Composition and Data Sources

To examine the effects of changes in board composition and ownership structure on the dividend payout behavior of listed commercial banks in Bangladesh, this study uses a panel dataset covering the period from 2017 to 2023. The population of the study comprises all commercial banks listed on the DSE during the period under study. The inclusion of commercial banks is intentional, as they are regulated by the central bank's single supervisory authority, allowing for some homogeneity in disclosure and governance norms. Other financial institutions, such as NBFI, insurance companies, mutual funds, and firms issuing debt securities, have been excluded because of their different aspects of finance and different regulations that might create modal bias in the empirical part of the study (Al-Najjar & Kilincarslan, 2016).

Maximum completeness and representativeness of the data for all investigated variables are ensured. Banks with missing annual reports, corporate governance disclosures, or dividend payments are removed from the final sample. When the above criteria are applied, we finally select a sample of 19 listed commercial banks, yielding 133 firm-year observations over the seven years.

All information used for the study was obtained from secondary sources. Firm-specific financial data are collected from each bank's annual report, available on the bank's official website, accessed via the Dhaka Stock Exchange (DSE). The board-related attributes, including board size, independence, gender diversity, and meeting frequency, are obtained from the corporate governance disclosures in these annual reports. Ownership structure data are also obtained from the stockholder distribution sections of the same reports. This approach guarantees that the data are based on publicly available, officially reported information that is consistent across all firms and years. The details of the definitions and measurements of all variables are presented in the next subsection.

Variables

The definitions of all variables used in this paper are provided in Table 1 below. To establish the connection between board composition, ownership structure, and dividend payout, the research employs the dependent variable dividend payout ratio, calculated as the percentage of earnings distributed as dividends to shareholders (Hasan et al., 2023; Kaur & Kaur, 2025).

Table 1. Variable Definition

Variables	Symbol	Formulas
Dependent Variable:		
Dividend Payout	DP	Dividend per share (DPS) divided by earnings per share (EPS)
Independent Variables:		
Board Size	BS	Total number of board members.
Board Independence	BI	Proportion of board independent directors.
Gender Diversity	GD	Proportion of board female directors.
Board Meetings	BM	Number of board meetings held during the year.
State Ownership	SOWN	The proportion of government-owned shares relative to the firm's total outstanding shares.
Institutional Ownership	INSOWN	The ratio of institutional shareholdings to the total shares issued by the firm.
Insider Ownership	IOWN	The proportion of shares held by directors and sponsors to total outstanding shares.
Foreign Ownership	FOWN	The portion of total outstanding shares owned by foreign investors.
Control Variables:		
Return on Assets	ROA	Net income to total assets
Capital Adequacy Ratio	CAR	Proportion of a bank's capital to its risk-weighted assets.
Firm Size	SIZE	Natural logarithm of total assets.
Firm Age	AGE	Number of years since incorporation

The following four variables serve as the independent variables, which reflect board composition: board size, board independence, gender diversity, and board meeting frequency (Boshnak, 2023; Elmagrhi et al., 2017). The board size can be described as the number of board directors in the company (Kaur & Kaur, 2025; Tawfik et al., 2025). Board independence is defined by the percentage of independent non-executive directors among all the directors on the company's board (Juhmani, 2020; Kaur & Kaur, 2025). Gender diversity is measured by the percentage of female directors among all directors on the board (Henry & Yahaya, 2024; Khan, 2022). Board meeting frequency refers to the number of meetings held in a year (Boshnak, 2023; Juhmani, 2020).

State ownership, institutional ownership, insider ownership, and foreign ownership are used as the other independent variables representing ownership structure in the study (Boshnak, 2023; Hasan et al., 2023). Government ownership refers to the proportion of the total number of shares issued that are owned by the government itself or institutions linked to it (Bataineh, 2021; Moin et al., 2020). Ownership by institutions is defined as the ratio of total shares held by institutions, which include banks, non-bank financial institutions (NBFIs), insurance firms, mutual funds, merchant banks, and other institutions (Hasan et al., 2023; Juhmani, 2020). Managerial or insider ownership is measured as the percentage of total shares held by directors, executives, and other key insiders of the firm (Boshnak, 2023; Nazar, 2021). Foreign ownership is defined as the proportion of total outstanding shares owned by foreign individuals, foreign institutions, or international investors (Hasan et al., 2023; Moin et al., 2020).

Control variables are selected based on prior studies, as these firm-specific characteristics are closely linked with firms' performance. Specifically, return on assets (ROA) captures a firm's profitability and is expected to be positively associated with dividend payout (Jalal et al., 2023). The capital adequacy ratio (CAR) is also considered a control variable that reflects the financial capacity and capital adequacy of banking institutions. A high CAR implies that the bank has stronger capital and financial stability, which may improve its capacity to distribute dividends. Firm size is included to control for size effects, as larger firms are generally more stable and may have greater capacity to distribute dividends (Kaur & Kaur, 2025). Firm age is also an important determinant and is expected to be significantly related to dividends, since firms' growth opportunities typically decline as they become more mature (Al-Najjar & Kilincarslan, 2016; Boshnak, 2023).

The Study Model

In this study, the Tobit regression model is used to examine how board characteristics and ownership structure affect the dividend payout ratio (DP) of listed commercial banks in Bangladesh. Dividend payout means the percentage of a company's net income that is distributed to the shareholders in the form of a cash dividend. Importantly, this ratio cannot be negative because firms cannot distribute negative dividends. So, the DP is "censored" at zero, meaning that while banks may not pay dividends in certain years, resulting in a DP value of zero, they cannot have a dividend payout below zero.

Because the data has a categorical dependent variable, regression approaches such as Ordinary Least Squares (OLS) cannot be used in this context. OLS assumes that the dependent variable is unbounded and can be any continuous value. However, the dividend payout ratio here is capped at zero, and there is a high probability of a concentration of observations at this point, indicating the years when banks did not pay dividends. If OLS were applied to this data directly, it would produce biased and inaccurate estimates because it would not be able to represent the zero-values problem correctly (Tobin, 1958). Therefore, it would be incorrect to infer the association between the board and ownership factors and dividend policy from such outcomes.

To address this problem, the Tobit model is used. Tobit regression is a specialized method to handle a dependent variable that is censored or limited at a particular value, in this case, zero. The new method works by computing, at each time point, both the probability that a bank's dividend payment is zero (i.e., no dividend is paid) and the magnitude of the dividend when it is positive. This joint constraint guarantees that the model allows for both the decision of dividend payment and its intensity, leading to more accurate and explanatory results (Maddala, 1983).

The Tobit model is more relevant in emerging economies such as Bangladesh, where firms often have years with no dividend payments due to financial or regulatory constraints. Previous research in a similar context has shown that many firms either pay dividends or pay none at all, resulting in data with many zeros. For example, Khan (2022) and Saliya and Dogukanli (2022) used the Tobit model to study dividend policy in Turkey, saying that ignoring the censored nature of dividend data would overlook important features of a firm's dividend behavior. Moreover, the Tobit model treats a zero dividend payment not as random or missing data but as an important, meaningful observation that reflects a firm's real financial decision. Banks may not pay dividends in certain years due to lower profitability, higher capital requirements, or internal policy. The Tobit model allows zero dividend payouts to be treated as real data rather than empty cells, thereby validating the original statistical procedures and enabling researchers to examine better the factors influencing dividend policy. The following is the testable model:

$$DP_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BL_{it} + \beta_3 GD_{it} + \beta_4 BM_{it} + \beta_5 SOWN_{it} + \beta_6 INSOWN_{it} + \beta_7 IOWN_{it} + \beta_8 FOWN_{it} + \beta_9 ROA_{it} + \beta_{10} CAR_{it} + \beta_{11} SIZE_{it} + \beta_{12} AGE_{it} + \epsilon_{it}$$

Given that the data have repeated observations across time for the same firms, the panel Tobit model can be estimated with pooled Tobit and random-effects Tobit methods. The pooled Tobit model assumes no firm-specific, time-invariant effects on dividend policy and that observable variables explain all variation. However, the random-effects Tobit model allows for unobserved firm-level heterogeneity that may consistently affect a firm's dividend behavior over time, such as managerial culture, long-term strategy, or internal norms that influence dividend policy.

Prior to estimating the Tobit regression model, several tests were conducted to assess whether the data were suitable for the regression analysis. First, the normality of the variables was checked using the Shapiro–Wilk test. To check for multicollinearity among the independent variables, the variance inflation factor (VIF) was used, and the results indicated no multicollinearity. Lastly, heteroskedasticity was checked through the Breusch-Pagan/Cook-Weisberg test.

The choice between the two specifications is made using a likelihood ratio (LR) test. The LR test compares the fit of the random-effects model against the pooled specification. It assesses whether (and by how much) the random-effects model fit is significantly improved.

The results of the LR test employed in the study denote the random effects as being statistically insignificant, which therefore finds no strong evidence of unobserved, firm-level heterogeneity; moreover, this confirms that we will use the pooled Tobit model for the final interpretation, which is in accordance with the established best practice precedent of other similar financial econometric studies (Greene, 2008).

RESULTS

This section reports the empirical findings from the panel data analysis of 19 listed commercial banks in Bangladesh covering the period 2017–2023. The analysis is presented through descriptive statistics, correlation analysis, regression results, diagnostic tests, and robustness checks. All findings are based on the dataset described in the Materials and Methods section, which comprises the complete sample of 133 firm-year observations.

Descriptive statistics

Table 2. Descriptive Statistics

Variables	Mean	Median	Min	Max	SD	Skewness	Kurtosis	Obs
DP	30.308	30.22	0	82.9	24.83	0.199	2.026	133
BS	14.677	16	6	20	4.621	-0.434	1.834	133
BI	18.174	17.65	0	33.33	6.065	-0.446	4.8	133
GD	11.456	10.53	0	40	10.857	0.493	2.208	133
BM	18.466	18	5	39	6.393	0.36	2.816	133
SOWN	1.796	0	0	32.75	7.327	4.001	17.026	133
INSOWN	17.476	19.57	0	42.79	11.846	0.068	2.184	133
IOWN	47.921	39.21	4.11	100	25.366	0.794	2.701	133
FOWN	1.993	0	0	26.46	4.987	3.448	14.575	133
ROA	0.758	0.69	-0.25	1.88	0.398	0.25	2.769	133
CAR	13.955	13.7	10.03	21.13	2.135	0.689	3.769	133
SIZE	5.399	5.474	4.543	6.308	0.348	-0.325	3.217	133
AGE	24	23	4	58	13.6	0.428	2.624	133

Table 2 above shows the descriptive statistics of the variables used in this research. The mean number of directors on the board (BS) is 14.68, with a minimum of 6 and a maximum of 20. The board size is large for most banks, as indicated by a negative skewness of -0.434. The mean percentage of independent directors (BI) is 18.17%. The gender diversity ratio (GD) averages 11.46%, with a wide range from 0% to 40%. The number of meetings held per year for boards (BM) averages 18.47, with counts ranging from 5 to 39, indicating significant involvement by board members.

State ownership of companies (SOWN) averages 1.80%, with values ranging from 0% to 32.75%. Institutional ownership (INSOWN) varies significantly across banks and is relatively evenly distributed, with an average of 17.48%. This figure ranges from 0% to 42.79%. Insider ownership (IOWN) of banks is significant, averaging 47.92% and showing substantial variation across banks. Foreign ownership (FOWN) is low, averaging 1.99%, as few banks have a large share of foreign ownership.

Among the control variables, return on assets (ROA) averages 0.758, suggesting that banks, in general, are profitable. The average capital adequacy ratio is 13.96%. The average SIZE is 5.40, which is the logarithm of the bank's total assets. The AGE of the banks ranges from 4 to 58 years, with an average AGE of 24 years.

Correlation Analysis

Correlations among the study variables are presented in Table 3. The variable DP, i.e., dividend payout, has a positive correlation with board size ($r = 0.319$) and CAR (capital adequacy ratio) ($r = 0.412$), indicating that larger board size and higher capital ratios are associated with higher dividends. However, it has an inverse correlation with gender diversity ($r = -0.221$) and state ownership ($r = -0.276$). Moreover, the variable dividend payout has very little relation to ROA (profitability) ($r = 0.036$) and firm size ($r = 0.111$). Board size is negatively correlated with board independence ($r = -0.399$) and board meetings ($r = -0.538$), whereas board independence is positively correlated with board meetings ($r = 0.426$). State ownership is positively correlated with board independence ($r = 0.374$), gender diversity ($r = 0.315$), and board meetings ($r = 0.330$), which indicates higher formal governance in state-owned banks.

Table 3. Correlation Matrix

Variables	DP	BS	BI	GD	BM	SOWN	INSOWN	IOWN	FOWN	ROA	CAR	SIZE	AGE
DP	1												
BS	0.3193	1											
BI	0.0678	-0.3987	1										
GD	-0.2211	-0.1454	0.1199	1									
BM	-0.0094	-0.5382	0.426	0.1411	1								
SOWN	-0.276	-0.3807	0.3736	0.3146	0.3295	1							
INSOWN	0.0408	-0.3704	0.4011	0.2419	0.2103	0.1071	1						
IOWN	0.0045	0.5407	-0.5805	-0.1273	-0.4682	-0.3962	-0.7441	1					
FOWN	0.0074	0.1372	0.1861	-0.2804	-0.1523	-0.0377	0.0321	-0.1094	1				
ROA	0.0358	0.1679	-0.288	-0.0462	-0.0438	-0.1028	-0.4429	0.3742	-0.1692	1			
CAR	0.4121	0.4628	-0.3385	0.0794	-0.1845	-0.1629	-0.2344	0.3576	-0.1753	0.4868	1		
SIZE	0.1113	-0.1776	0.5018	-0.0401	0.1692	0.116	0.6575	-0.7361	0.5034	-0.4843	-0.3793	1	
AGE	-0.0453	-0.3233	0.4972	0.0054	0.3823	0.3585	0.5928	-0.7894	0.2476	-0.3352	-0.3092	0.6918	1

Institutional ownership is significantly related to board independence ($r = 0.401$) and firm size ($r = 0.658$) and strongly negatively related to insider ownership ($r = -0.744$). Insider ownership is positively related to board size ($r = 0.541$) and ROA ($r = 0.374$), and negatively related to board independence ($r = -0.581$), board meetings ($r = -0.468$), and firm age ($r = -0.789$). Foreign ownership is weakly positively correlated with firm size ($r = 0.503$) and board independence ($r =$

0.186), and weakly negatively correlated with gender diversity ($r = -0.280$), suggesting a preference for large, independent, male boards. Among control variables, firm size is positively related to board independence, foreign and institutional ownership, but negatively related to insider ownership and ROA. Older banks are often characterized by higher board independence, board activity, and institutional ownership and lower insider ownership. In general, correlations are small. Multicollinearity was formally tested using the Variance Inflation Factor (VIF), and the results indicate no multicollinearity in the data.

Regression Results

The Tobit regression estimates of the effects of board composition and ownership structure on dividend payout policy are presented in Table 4. The overall model is statistically significant ($F = 8.34$, $p < 0.001$) and explains a reasonable proportion of the variation in dividend payout policy (Pseudo $R^2 = 0.0824$).

Table 4. Board composition, ownership structure and dividend payout relationships

Variables	Variable Labels	Hypothesis	Expected Sign	Coefficient	t-Value	P-Value	Significance
Constant	_cons	—	—	-296.882	-3.16	0.002	***
Board Composition (BC)							
Board Size	BS	H1	+	1.786	2.09	0.039	**
Board Independence	BI	H2	+	1.36	2.32	0.022	**
Gender Diversity	GD	H3	+	-0.85	-3.72	0	***
Board Meetings	BM	H4	+	0.951	2.21	0.029	**
Ownership Structure (OS)							
State Ownership	SOWN	H5	—	-1.344	-2.69	0.008	***
Institutional Ownership	INSOWN	H6	—	-0.08	-0.3	0.768	
Insider Ownership	IOWN	H7	—	-0.163	-0.63	0.528	
Foreign Ownership	FOWN	H8	—	-1.1	-2.08	0.04	**
Control Variables (CV)							
Return on Assets	ROA	—	+	-3.866	-0.48	0.634	
Capital Adequacy Ratio	CAR	—	+	7.728	4.79	0	***
Firm Size	SIZE	—	+	33.805	2.22	0.029	**
Firm Age	AGE	—	+	-0.471	-1.91	0.058	*
Log pseudolikelihood = -453.95782							
F(12, 121) = 8.34, $p < 0.000$							
Pseudo $R^2 = 0.0824$							

Note(s): *** significant at the 1% level, ** significant at the 5% level, * significant at the 10% level.

Among the board composition variables, board size is a positive determinant of dividend payout and significant at the 5% level ($\beta = 1.786$, $t = 2.09$, $p = 0.039$). Similarly, for board independence, the coefficient is positive and significant at the 5% level ($\beta = 1.360$, $t = 2.32$, $p = 0.022$). In contrast, gender diversity carries a negative coefficient and is highly significant at the 1% level ($\beta = -0.850$, $t = -3.72$, $p < 0.001$). Board meeting frequency likewise exhibits a positive coefficient and remains significant at the 5% level ($\beta = 0.951$, $t = 2.21$, $p = 0.029$).

The ownership variables produce mixed results. State ownership is negatively related to dividend payout policy and is significant at the 1% level ($\beta = -1.344$, $t = -2.69$, $p = 0.008$). A negative association is also observed for foreign ownership, although its statistical significance is weaker, remaining at the 5% level ($\beta = -1.100$, $t = -2.08$, $p = 0.040$). By contrast, neither institutional ownership ($\beta = -0.080$, $t = -0.30$, $p = 0.768$) nor insider ownership ($\beta = -0.163$, $t = -0.63$, $p = 0.528$) reaches conventional significance levels.

For the control variables, capital adequacy ratio shows the strongest positive effect and is significant at the 1% level ($\beta = 7.728$, $t = 4.79$, $p < 0.001$). Firm size also exhibits a positive relationship with dividend payout policy, with significance at the 5% level ($\beta = 33.805$, $t = 2.22$, $p = 0.029$). Return on assets does not appear to have a statistically significant effect ($p = 0.634$). Firm age, however, records a negative coefficient that is marginally significant at the 10% level ($\beta = -0.471$, $t = -1.91$, $p = 0.058$).

Diagnostic Tests

The diagnostic test results support the adequacy of the estimated model.

Table 5. Diagnostic Test Results

Diagnostic Test	Test Statistic	p-value	Result
Shapiro-Wilk normality test	W = 0.9867	0.2241	Normality satisfied
Variance Inflation Factor (VIF)	Mean VIF = 2.85	—	No multicollinearity
Breusch-Pagan/Cook-Weisberg test	$\chi^2(1) = 0.38$	0.5397	Homoskedasticity satisfied

Hypotheses Verification

The regression analysis provides the following evidence for the proposed hypotheses:

- H₁:** Supported (positive and significant).
- H₂:** Supported (positive and significant).
- H₃:** Not supported (significant, but opposite to the proposed direction).
- H₄:** Supported (positive and significant).
- H₅:** Supported (negative and significant).
- H₆:** Not supported (statistically insignificant).
- H₇:** Not supported (statistically insignificant).
- H₈:** Supported (negative and significant).

Overall, the empirical findings support five of the eight proposed hypotheses.

Robustness Check

To assess the robustness of the baseline Tobit regression results, a set of alternative specifications was employed, consistent with conventional practices in the empirical corporate finance literature. First, the identical set of explanatory variables was utilized to fit a pooled OLS regression. The sign and statistical significance of the key independent variables were similar, further enhancing the robustness of the key findings. Firstly, this approach is commonly employed to assess whether the findings are robust to variations in the estimation method (Boshnak, 2023). Second, the dependent variable was replaced with another proxy, dividends per share (DPS), instead of the dividend payout ratio. For the Tobit regression using DPS, similar findings were obtained regarding the core explanatory variables, their signs, and significance levels. An alternative specification of the dependent variable is a common robustness check in dividend policy (Saliya & Dogukanli, 2022). Thirdly, a simpler regression model without control variables was used to assess the robustness of the results with respect to the principal explanatory variables. In the absence of the controls, the core explanatory variables remained significant. They had consistent signs, indicating that the results of the initial regression were not affected by possible omitted variable bias.

DISCUSSIONS

The findings indicate that board composition and ownership structure influence dividend payout decisions differently across listed commercial banks in Bangladesh. Overall, five of the eight proposed hypotheses support the idea that board characteristics exert a more consistent influence on dividend policy than several ownership attributes.

The positive effect of board size supports Hypothesis 1, indicating that larger boards yield greater dividends. Larger boards are also generally characterized by greater heterogeneity of expertise and greater monitoring capacity, both of which can serve the interests of governance and shareholders well. This is supported by previous studies conducted by Elmagrhi et al. (2017) and Saliya and Dogukanli (2022), who also found evidence of a positive relationship between board size and dividend payout in developed and developing countries.

The positive relationship between board independence and dividend payout supports Hypothesis 2. The higher the proportion of independent directors on the board, the more dividends will be paid out, thereby confirming the role of independent directors in checking agency costs by preventing manipulation and ensuring transparency. This result corroborates Henry and Yahaya (2024) and Sumail (2018), whose results also indicate that independent boards enhance shareholder-focused dividend policy by alleviating management-minority shareholder conflict.

Hypothesis 3 is not supported. Instead, gender diversity is associated with lower dividend payouts, suggesting that firms with female directors pay less in dividends. The negative coefficient indicates a risk-averse policy by gender-diverse boards, driven by more conservative behavior or other governance agendas. The results obtained coincide with those of Elmagrhi et al. (2017) and Fauziah et al. (2022) regarding the negative impact on dividend distributions under emerging-market conditions.

The findings also support Hypothesis 4, indicating that an increased number of meetings implies greater monitoring and efficient decision-making by the board and, hence, higher dividends paid to shareholders. This conclusion corroborates the theory that board involvement strengthens corporate governance practices, as evidenced by the research of Boshnak (2023) and Mai et al. (2023).

Among the ownership variables, state ownership exhibits a significant negative effect, supporting Hypothesis 5. This supports the view that organizations with high government stakes in terms of capital tend to retain earnings rather than distribute them through dividends, due to factors such as politics and society, beyond shareholder value maximization. The above results are consistent with Hasan et al. (2023) and Tawfik et al. (2025), who suggest that state-controlled firms in developing countries reduce dividend payments.

In contrast, institutional ownership and insider ownership do not significantly influence dividend payout decisions. The absence of significant effects indicates that these ownership groups play a limited role in shaping payout policy within the sampled banks.

The negative effect of foreign ownership supports Hypothesis 8. The inverse relationship is attributed to foreign shareholders' preference for reinvestment or tax-favored capital gains rather than cash dividends. This aligns with the studies by Al-Najjar and Kilincarslan (2016) and Bataineh (2021), which indicate foreign shareholders' preference for retained

earnings in emerging-market firms.

Among the control variables, return on assets (ROA) is not statistically significant in accounting for dividends, contrary to Henry and Yahaya (2024) and Saliya and Dogukanli (2022), suggesting that profitability is not a determinant of dividend policy. Capital adequacy ratio (CAR), however, has a highly significant positive effect on dividends, implying that banks with strong capital levels and buffers pay larger dividends, perhaps because they are healthy and well-governed. SIZE is strongly and positively correlated with dividend payments, suggesting that larger banks enjoy more stable profits and less information asymmetry so that they may distribute more dividends. This is similar to Juhmani (2020), which finds the same positive influence of SIZE on payout ratios in the emerging markets context. The firm's age (AGE) is weakly but significantly negative, implying that mature firms may be unwilling to distribute earnings as dividends due to lower growth prospects or a conservative payout policy.

These results align well with existing empirical evidence in the corporate governance literature, where board-related characteristics and ownership structure play a pivotal role in determining dividend policies. In this regard, the negative impact of gender diversity on the board, state ownership, and foreign ownership suggests a preference to retain income rather than distribute it through cash dividends, which may be driven by several factors related to the company's strategies and goals. These results may also be explained by the institutional setting of Bangladesh's banking industry and the conflicting interests of its boards and shareholders. On the other hand, the lack of a significant impact of institutional and insider ownership suggests that their influence on dividend policy is highly contingent on firm-specific governance and institutional factors. Overall, these results confirm the validity of agency theory in determining dividend policy. The results also suggest that board characteristics and ownership structure should be considered jointly when evaluating the dividend behavior of listed commercial banks.

CONCLUSIONS

In this study, the effect of board composition and ownership structure on the dividend payout policy of listed commercial banks in Bangladesh is analyzed. Using a Tobit regression model on panel data for 19 listed commercial banks for the period 2017-2023, the study finds that both board- and ownership-related governance structures have significant effects on the dividend payout behavior of commercial banks in Bangladesh.

The findings lead to several important conclusions. First, board composition has been identified as one of the key determinants of dividend payments in commercial banks in Bangladesh. Board size, board independence, and meeting frequency are positively related to dividend payments, underscoring the significance of board supervision. Second, the variable board gender diversity has been negatively associated with dividend payments, implying that its significance may depend on the banking industry's corporate governance setting. Third, state and foreign ownership are associated with lower dividend payments, implying an inclination to retain profits for strategic reasons. Fourth, institutional ownership and insider ownership do not differ in dividend payments. Finally, capital adequacy and bank size have positive effects on dividend payments, while firm age has a negative and significant effect, and profitability has a negative and insignificant effect.

The novelty of this study lies in the integrated examination of board composition and ownership structure within a unified analytical framework to explain dividend payout decisions in Bangladesh's listed commercial banks. Using more recent panel data from 2017 to 2023, this study provides empirical evidence for the banking sector, which remains relatively underexplored in dividend policy research. The use of Tobit regression models will contribute significantly to the analysis, as it will properly account for the censored nature of the dividend payout data. All in all, this study adds to the growing body of literature about governance-dividend relations.

From a theoretical perspective, the findings reinforce agency theory by confirming that effective corporate governance mechanisms influence dividend payout decisions and complement dividend policy in mitigating agency conflicts. Further, they suggest that the effectiveness of governance mechanisms is contingent on institutional settings, especially in emerging economies. From a practical point of view, the results have important implications for policymakers, bank managers, investors, portfolio managers, and financial analysts. Regulatory authorities should continue to strengthen corporate governance frameworks by promoting board effectiveness, ownership transparency, and adequate capital buffers to underpin sound dividend policies and financial stability. Bank managers should improve board effectiveness and ensure adequate capitalization to maintain stable dividend distributions and build investor confidence. Investors, portfolio managers, and financial analysts should incorporate board characteristics, ownership structure, and capital adequacy into dividend forecasting, equity valuation, and investment decisions.

The research is not exempt from limitations. First, it draws on a sample of 19 listed commercial banks in Bangladesh, and thus, the results are likely to be subject to sample selection bias. Second, the research examines only banks' cash dividend payments and ignores other dividend payout methods. Third, the secondary data approach limits the ability to capture the qualitative nature of companies' corporate governance activities. Furthermore, the model incorporates a specific set of governance variables, which may have excluded other potentially relevant factors.

Future research could include unlisted commercial banks, non-bank financial institutions, insurance companies, or other sectors to enable comparison. Other proxies of dividends, such as dividend yield or stock dividends, may be used in the analysis. Future researchers can improve the model specification by using dynamic panel models or quantile regressions. Future research may also include additional governance variables, such as CEO duality, audit committee characteristics, board tenure, board expertise, ownership concentration, and family or public ownership, to better understand the impact of governance mechanisms on dividend decisions.

This study leads to several practical recommendations. First, investors who prefer regular cash dividends should

give greater attention to banks with larger boards, a higher proportion of independent directors, and more frequent board meetings, as these governance characteristics are associated with higher dividend payouts. On the other hand, when investing for stable dividend income, investors should be careful with banks that have significant holdings of shares held by state or foreign bodies, as such ownership structures usually favor retaining earnings rather than making cash payments at the moment. However, investors seeking capital appreciation will be attracted to these types of banks. Second, financial analysts, portfolio managers, and investment advisors can make dividend forecasting and equity valuation more accurate by incorporating features of board and ownership structures, as well as other financial factors. Taking these corporate governance elements into account can benefit portfolio management, risk analysis, and investment advice. Third, regulatory authorities can use the study's results to strengthen corporate governance policies and emphasize the importance of effective, independent boards, transparent ownership structures, and disclosures about dividend policy.

In conclusion, this study reveals that the corporate governance and ownership structures of Bangladesh's commercial banks significantly influence their dividend payout policies. The results highlight the differential importance of board effectiveness in explaining dividend outcomes. Therefore, improvements in governance mechanisms and adequate capitalization can help promote more stable and transparent dividend policies in the banking sector, ultimately enhancing investor confidence and financial stability in emerging markets.

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