The Relationship between Board Characteristics and Dividend Payment Policies in the JSE Top 40 Listed Companies

Tatenda NHARO, Tankiso MOLOI and Modi HLOBO

School of Accounting

University of Johannesburg

South Africa

tnharo@uj.ac.za; smoloi@uj.ac.za, modih@uj.ac.za

Objective: To investigate the relationship between corporate governance board characteristics and dividend pay-out (e.g. dividend pay-out ratio

Method: A panel regression analysis was undertaken to investigate the relationship between corporate governance board characteristics and dividend pay-out (e.g. dividend pay-out ratio). Data was collected from a sample of 29 firms in the top-40 of the Johannesburg Stock Exchange (JSE). Data collected spanned for a period of five years from 2013 – 2018

Results: Obtained result demonstrates that there is a significant relationship between board diversity, as measured by ethnicity, the board independence and the dividend pay-out ratio.

Originality/Relevance: Previous studies have asserted that corporate governance affects the level of dividends paid out by a firm. What has remained unclear with the previous studies is whether the dividend pay-out is an outcome or a substitute for effective governance.

Theoretical/methodological contributions: The results suggest that there is strong evidence in favour of the substitution hypothesis, where JSE top 40 boards with a higher degree of independence did not need to use dividends as a tool for monitoring managerial behaviour. The results illustrate evidence supporting the maturity and dividend smoothing theories, and this is observed through the significant relationships established between profitability, previous dividend and the dividend pay-out ratio.

Social/management contributions: The main contribution of this study being the establishment of the determinants of dividend pay-out policy in South Africa's JSE listed companies.

Key words: Dividend pay-out ratio, JSE top-40, corporate governance, agency theory, resource dependence theory.

La relation entre les caractéristiques du conseil d'administration et les politiques de paiement des dividendes

Tatenda NHARO, Tankiso MOLOI et Modi HLOBO

School of Accounting

University of Johannesburg

South Africa

tnharo@uj.ac.za; smoloi@uj.ac.za, modih@uj.ac.za

Objectif : étudier la relation entre les caractéristiques du conseil de gouvernance d'entreprise et le paiement des dividendes (par exemple, le ratio de distribution des dividendes).

Méthode : Une analyse de régression par panel a été entreprise pour étudier la relation entre les caractéristiques du conseil de gouvernance d'entreprise et le paiement des dividendes (par exemple, le ratio de distribution des dividendes). Les données ont été collectées auprès d'un échantillon de 29 entreprises dans le top 40 de la Bourse de Johannesburg (JSE). Les données collectées se sont étalées sur une période de cinq ans de 2013 à 2018.

Résultats : Les résultats obtenus démontrent qu'il existe une relation significative entre la diversité du conseil, telle que mesurée par l'appartenance ethnique, l'indépendance du conseil et le ratio de distribution des dividendes.

Originalité / pertinence : Des études antérieures ont affirmé que la gouvernance d'entreprise affecte le niveau des dividendes versés par une entreprise. Ce qui n'est pas clair avec les études précédentes, c'est si le versement de dividendes est un résultat ou un substitut à une gouvernance efficace.

Contributions théoriques / méthodologiques : Les résultats suggèrent qu'il existe une forte évidence en faveur de l'hypothèse de substitution, où les 40 meilleurs conseils d'administration de JSE avec un degré d'indépendance plus élevé n'ont pas besoin d'utiliser les dividendes comme outil de suivi du comportement managérial. Les résultats illustrent des preuves étayant les théories de lissage des échéances et des dividendes, et ceci est observé à travers les relations significatives établies entre la rentabilité, le dividende antérieur et le ratio de distribution des dividendes.

Contributions sociales / de gestion : La principale contribution de cette étude est l'établissement des déterminants de la politique de distribution des dividendes dans les sociétés cotées en bourse JSE d'Afrique du Sud.

Mots-clés : ratio de distribution des dividendes, top 40 JSE, gouvernance d'entreprise, théorie de l'agence, théorie de la dépendance aux ressources.

1. INTRODUCTION

Dividend policy has remained a controversial subject in corporate finance. Many finance studies have sought to examine and understand why firms decide to either pay or withhold dividends. In reality, the dividend decision has turned out to be complex. Black (1976) concurs that the question of dividends is often more complicated than thought and in this regard, posits that 'the harder we look at the dividend picture, the more it seems like a puzzle, with pieces that do not fit together.'

Lintner's (1956) initiation of the dividend debate has led to many conflicting theories that have made it harder to derive sense of the factors that explain or determine dividend policy. An example is the maturity perspective brought forward by De Angelo, De Angelo and Stutz (2006) who hypothesized that mature, profitable firms are far likely to pay out dividends because of a lower inclination to seek out multiple investment opportunities with their earned capital overtime. The Facebook story is one that provides a contrasting reality to this maturity perspective proposed by De Angelo et al.(2006). Facebook, is an entity that is subjectively identifiable as mature and profitable, and yet, by early 2021, it was yet to pay out its first dividend since inception. This is despite growing expectations of a dividend pay-out within financial markets (Caplinger, 2019; Nasdaq Stock Exchange, 2020). This alludes to a modern day reflection of the complexity surrounding dividend decision matters.

Since Lintner's (1956) dividend debate, several theories have emerged to explain why firms pay dividends. One of the most widely used explanations is the agency cost theory,which emanates from the divorce of ownership from control and the disparities between managerial and shareholders' priorities (Moloi & Marwala, 2020). According to Jensen and Meckling (1976), managers prefer to issue out lower dividends so that they can pursue investments of their preference rather than to maximise the share price. Jensen and Meckling (1976) argue that high dividend pay-outs reduce the amount of cash free flow available at the discretion of managers. As such, Jensen and Meckling (1976) propose that this forces managers to interact with the capital market to fund new investment projects, which subsequently induces monitoring by the market.

Agency problems continue to serve as a global challenge. Many corporate scandals (Enron, Pollypeck, Maxwell and Parmalat) have taken place over the last three decades, leaving investors unsure of management capability to act as trustworthy stewards (Moloi, 2008; BPP, 2015). These scandals have not been unique to developed countries. Similar incidences occurred in sub–Saharan Africa, where more than 33 Kenyan banks failed in the 1980s (Barako, Hancock & Izan, 2006).

Despite a well-recognised and sophisticated corporate governance framework, South African companies have experienced corporate failure. Examples include Masterbond, MacMedHealth Care, Fidentia, JCI, Randgold and Regal treasury (World Bank, 2003; Moloi, 2008; Maroun & Cerbone, 2020). In recent times, corporate governance failures such as VBS and Steinhoff have attracted significant interest amongst academics and the general public (Naude, Hamilton, Ungerer, Malan & De Klerk, 2018; Rossouw & Styan, 2019).

This crisis has encouraged a widespread belief that the absence of a highly effective board leads to poor firm performance and heightened management failures (Gompers, Ishii & Metrick, 2003). Hence, these challenges have renewed interest in corporate governance studies focusing on board characteristics (Al Shaer & Zaman, 2016; Marinova, Plantega & Remery, 2016; Dolamo, 2017; Lee-Hwei Kawl & Liam, 2018).

In addition to dividends, an additional system that safeguards against the agency problem is the system of corporate governance. "Corporate governance is, to a large extent, a set of mechanisms through which outside investors protect themselves against expropriation by the insiders" (La Porta, Lopez-de-Silanes, Shleifer & Vishny, 2000). The system incorporates the board of directors

as an essential mechanism to exercise control over senior management and ensures that decisions made support the maximisation of shareholder value rather than senior management's interests (John & Senbert, 1998). The board has many other fiduciary duties, including but not limited to dividend policy decisions (Abor & Fiador, 2013).

Several studies have examined the relationship that exists between corporate governance and dividend pay-out in attempts to understand the extent to which their interaction is useful in managing agency problems (Elmagrhi, Collins, Crossley, Malagila, Fosu & Vu; 2017). The relationship between corporate governance and dividend pay-out has been tested on South African firms using structural corporate governance measures such as board size and composition. However, no South African study has focused on the relationship between board diversity characteristics and dividend pay-out. The extant literature suggests that diversity variables such as race and gender have been used to test relationships between corporate governance and financial performance (Jonty & Mokoteli, 2015; Mans Kemp & Viviers, 2015; Taljaard, 2015; Taylor & Peens, 2017).

These studies' limitation is that the overall effect of other corporate governance variables on the dividend pay-out decision remains uncaptured from a South African perspective. Understanding this relationship is of great importance, given South Africa's unique political history of gender and racial inequality. The inclusion of these variables will inform investors, regulators, and policymakers about the extent to which board diversity can improve monitoring effectiveness.

Dividend policy literature focuses on three main aspects, namely 1) theory development such as the 'irrelevance theory' by Miller and Modigliani (1961) and the 'bird in the hand' theory by Gordon (1959), 2) the determinants of dividend policy and 3) research seeking to increase the prediction accuracy and modelling of dividend payments (Elysiani,Jia & Movaghari, 2019). This paper contributes to the second group, focusing on corporate governance as one of the determinants of dividend pay-out. The research focus is narrowed to the relationship that exists between significant board characteristics and dividend pay-out in the Top 40 companies listed on the Johannesburg Stock Exchange (JSE).

The main objective of this work is to examine the relationship between board characteristics (as represented by gender diversity, ethnic diversity, the average age of the board, financial expertise, board size, and board independence) and dividend pay-out of the top 40 South African companies on the JSE.

2. RELATED REVIEW OF LITERATURE

Similar studies have used a two-dimensional agency theory-inspired proposition, the outcome, and substitute hypothesis as the base for argumentation (La Porta et al., 2000). The outcome hypothesis posits that well-governed firms that adhere to sound corporate governance practices strengthen the board's monitoring function. In addition to this, these firms provide shareholders with substantial rights to demand dividend payment from a firm's management. Under this hypothesis, dividend pay-outs are higher where sound corporate governance exists. On the other hand, firms with weaker governance and lower protection of minority shareholder's rights will issue dividends to cover up for this weakness in governance mechanisms and failure to identify lucrative and positive Net Present Value (NPV) projects (La Porta et al., 2000). Hence, under this view, dividends are higher where governance practices are weak.

Literature has established that there is a relationship between corporate governance and dividend pay-out, but it remains unclear whether high dividends are an outcome of good governance or a substitute for corporate governance mechanisms. Regrettably, previous studies have reached differing conclusions. Elmagrhi et al. (2017) examined the relationship between corporate

governance and dividend pay-out in United Kingdom (UK) listed Small to Medium Enterprises (SMEs). They found that UK SMEs with weak governance tended to pay higher dividends compared to firms with stronger governance. An American study by Atanossov and Mandel (2018) concurs with Elmagrhi et al. (2017). Their results confirmed that weakly governed firms were more likely to pay higher dividends, which aligns with the substitute hypothesis.

Shamsabadi et al. (2016) found the relationship between corporate governance and dividend pay-out to be different for the Australian setting. Their results show that Australian firms use dividends as a monitoring device. In line with the outcome hypothesis, firms with strong corporate governance paid high dividends. Furthermore, this agrees with the results of the study by Mans Kemp (2015) who found that the outcome hypothesis explained the relationship between corporate governance and dividend pay-out in South African companies. However, Papo (2016) revealed contrasting results that South African firms with weak corporate governance substituted their failure to invest in lucrative projects by paying high dividends.

2.1 Board gender diversity and dividend payout

There is growing evidence that gender-diverse boards are more effective (Cumming, Leung & Rui, 2015). According to Okere, Eluyela, Lawal, Oyebisi, Eseyin, Popoola, and Awe (2019), women have displayed social, economic, political, intellectual, and legal capacity to influence corporate decision-making. A lack of board gender diversity exposes companies to litigation risk, which ultimately threatens corporate success, external networking, and competitive advantage (Okere et al., 2019). Hence, board gender diversity has been one of the most encouraging forms of diversity in the boardroom.

A large number of studies agree that gender-diverse boards pay higher dividends. Ye et al. (2019) examined the impact of board gender diversity on dividend pay-outs in a sample involving 22 countries between the period 2000 and 2013. The results revealed that board gender diversity plays a significant role in reducing agency problems and increases the dividend pay-out ratio. Earlier on, Chen, Leung and Goergen (2017) examined the effect that companies with female directors had over dividend pay-out. Their study involved 1500 companies between the periods 1997 and 2011. Their results were consistent with those of Ye et al.(2019). They concluded that companies with female directors issued out higher dividends because of increased monitoring activity.

Al-Rahahleh (2017) investigated the impact of corporate governance quality and board gender diversity on the dividend pay-out of non-financial companies listed on the Amman Stock exchange between 2009 and 2015. Their results showed that companies with strong corporate governance and gender-diverse boards had a greater propensity to issue dividend payments, which were also higher.

A recent study by Eluyela et al. (2019) did not concur with the hypothesis that gender-diverse boards impact the propensity to pay dividends or on the amounts paid. They examined the impact of a gender-diverse board on the dividend pay-out in Nigerian firms. Their results showed that female directorship did not significantly influence dividend pay-out in Nigerian firms.

Based on previous global research combined with the absence of literature on board gender diversity and dividend policy in South Africa, the following hypothesis was posed;

H_1=There is a relationship between board gender diversity and dividend pay-out.

2.2 Board ethnic diversity and dividend pay-out

Al-Dhamari et al. (2016) investigated board diversity's effect using both gender and ethnicity as variables. Their results showed that boards with ethnic diversity in Malaysia have higher dividend pay-outs. However, they concluded that this is dependent on the level of cash flow generated by the firm. Furthermore, the positive and significant relationship was only noted where a firm's ownership structure is concentrated in institutional investors' hands. These results are consistent with those from a study by Byoun, Chang and Kim (2016).

Byoun et al. (2016) examined the impact of board diversity on dividend pay-out as a major corporate decision. The study employed gender and ethnic diversity as variables to test the hypothesis that diverse boards issue higher dividends. They established exciting results showing that gender and ethnic diverse boards issued higher dividends than firms without gender and ethnic diverse boards. Besides, their results reflected a decrease in the number of dividends where gender and ethnic diverse boards switched to being non-diverse boards. Therefore, diverse boards can address the free cash flow agency problem through the monitoring effect of paying higher dividends (Byoun et al., 2016).

Limited literature exists on the relationship between ethnic diversity and corporate decisions such as dividend pay-out. No such investigation has been observed in a South African context. Therefore, this research's findings potentially have a meaningful contribution to the policies seeking to increase ethnic diversity in boardrooms.

There are two aspects to be considered. First, empirical evidence has shown that diverse boards tend to reduce agency problems by increasing monitoring and independence (Byoun et al., 2016; Al-Dhamari et al., 2016; Al-Rahahleh, 2017; Chen et al., 2017). Second there is a possibility that ethnic diversity, in particular, may result in conflict and miscommunication amongst board members, thus reducing monitoring effectiveness. Therefore, the following hypotheses were posed:

H_2 = There is a relationship between board ethnic diversity and dividend pay-out.

H_3 = There is no relationship between board ethnic diversity and dividend pay-out

2.3 The average age of the board and dividend pay-out

Studies examining the relationship between the average age of the board and financial performance have offered two perspectives. First, a negative relationship between age and financial performance has been observed. This relationship has been explained by the deterioration of cognitive abilities faced by older board members, which has an adverse effect on the firm's financial performance of the firm. (Waelchli & Zeller, 2013). There is evidence; however, that diversity in age contributes to diverse perspectives in decision-making. Against this background, it is thought that a positive relationship can be observed between the average age of the board and financial performance because older directors provide younger directors with knowledge and skills that are obtainable only through experience (Benjamin & Tenai, 2018).

Tahir, Rahman and Masri (2020) examined the relationship between various board characteristics and dividend pay-out. They found a significant positive relationship between the average age of board members and dividend pay-out. However, these results differ from those of Benjamin and Tenai (2018), who provided evidence of a non-statistically significant relationship, between age diversity of the board and dividend pay-out.

Based on the empirical evidence above, the following hypotheses were posed:

H_4 =There is a relationship between the average age of the board and dividend pay-out.

H_5=There is no relationship between the average age of the board and dividend pay-out.

2.4 Board financial expertise and dividend pay-out

According to Qiao, Chen and Hung (2018), most corporate governance studies focus their attention on the board of directors' monitoring role and undermine the advisory aspect. Financial expertise contributes to a better understanding of financial numbers, which provides the board with more optimal advice on expert-related policies such as dividend policy (Ji, 2017).

Ji (2017) studied the relationship between financial experts and dividend pay-out policy on 1 500 S & P firms. They found that board financial expertise is negatively related to dividend pay-out ratio. These results are consistent with the substitution hypothesis that suggests that a useful board with more financial experts will choose to lower dividends because of the opportunity costs associated with dividends when positive NPV projects are foregone (La Porta et al., 2000).

Sarwar et al. (2018) also examined the relationship between financial expertise and dividend pay-out behavior in Chinese and Pakistani firms between 2009 and 2014. Their study revealed contrasting results between the two markets. They found that Chinese firms with more financial experts on their boards do not use dividends as a control mechanism, as depicted by the negative association between board financial expertise and dividend pay-out. These results are consistent with the substitution hypothesis and corroborate earlier findings (Ji, 2017).

Qiao, Chen and Hung (2018) performed a similar study on S & P 500 firms from 2005 to 2012. The study focused primarily on the relationship between the accounting expertise of directors and dividend pay-out. T results showed that firms with more accounting expertise tend to pay lower dividends due to more robust accounting conservatism. Hence, there is a negative association between board accounting expertise and dividend pay-out levels.

Against the background of the discussion above, the following hypothesis was posed;

H_6 =There is a relationship between board financial expertise and dividend pay-out.

2.5 Board size and dividend pay-out

Both South African law and the King IV Report do not provide an explicit number about the size of the board of directors a company must have (Jingura, 2018). Section 66 (2) of the Companies Act merely sets the minimum number of directors depending on the entity type. The King IV Report provides recommendations on consider when choosing company board size (Institute of Directors South Africa, 2016).

The outcome hypothesis posits that larger boards are more effective in monitoring and controlling self-serving managers' behavior because larger boards have a greater pool of experienced and skilled directors who can offer broader perspectives during the decision-making process (Elmagrhi et al., 2017). This is expected to lower agency costs by reducing free cash flow that is available for managers' exploitation through higher dividends. On the other hand, the substitution hypothesis posits that large boards are associated with severe communication problems that lead to poor governance and board effectiveness and will pay more enormous dividends as a cover-up for poor governance (Jingura, 2018).

Historically, smaller companies have achieved better firm performance (Elmagrhi et al., 2017). According to Yeung (2018), a small board comprising between seven to ten directors is ideal. As outlined in the substitution hypothesis, smaller boards exhibit more robust governance and will most likely utilise free cash flows for positive NPV projects and do not feel pressured into paying out larger dividends to impress investors.

Nuhu (2014) examined the relationship between board size and dividend pay-out for Ghanaian firms between 2000 and 2009. The results from the study revealed a positive and statistically significant relationship between board size and dividend pay-out. This means that the greater the board's size, the higher the level of dividends paid out due to increased monitoring activity. This result is consistent with studies by Mansourinia, Emamgholipour, Rekabdarkolei and Hoozori (2013), who also concluded there was a positive relationship between board size and dividend pay-out. In a later study, Elmagrhi et al. (2017) confirmed a positive relationship between board and size and dividend pay-out amongst UK Small to Medium Enterprises between 2010 and 2013.

However, Ghasemi, Madrakian and Keivani (2013) found a negative and significant relationship when they examined the impact of board size and dividend pay-out. These results are consistent with those of the study by Papo (2016) and Abor and Fiador (2013) when they examined corporate governance and dividend pay-out decisions in South African firms. They found that as boards increased in size, dividends became lower.

Accordingly, the following hypothesis was posed;

H$_7$ =There is a relationship between board size and dividend pay-out.

2.6 Board independence and dividend pay-out

The King IV Report recommends that the board of directors should consist of a larger proportion of Non-Executive Directors (NeDs), most of whom should be independent (Institute of Directors South Africa, 2016). The resource dependence theory also encourages more outside directors due to the expertise, prestige, and contacts they bring with them (Kesner & Johnson, 1990). The agency theory posits that increasing outside directors enhances monitoring and, ultimately, firm performance (Jensen & Meckling, 1976).

Several studies testing the relationship between board independence and dividend pay-out have results that favor the substitution hypothesis (Abor & Fiador, 2013; Benjamin and Zain, 2015; Elmargrhi et al., 2017). Under the substitution hypothesis, a more significant number of the outside than inside directors improves corporate governance practices. Accordingly, the board of directors does not need to pay out high dividends. Therefore, a negative association is expected between a board with higher independent directors and a dividend pay-out level.

Benjamin and Zain (2015) found that Malaysian firms with a more significant proportion of outside directors paid lower dividends due to improved corporate governance practices. These results are consistent with similar studies elsewhere (Abor & Fiador, 2013; Papo, 2016; Elmagrhi et al., 2017).

Accordingly, the following hypothesis was posed;

H$_8$ = There is a negative relationship between board independence and dividend pay-out.

2.8 Control variables

Control variables are widely used in correlational studies similar to this work (Idris, Ishak & Hassan, 2019; Gyapong & Afrifra, 2019; Shehu, 2015). They refer to variables that are not of primary interest

to the study but are considered to be of importance due to the effect that they may have on the results. The role of a control variable is believed to be the reduction of potential omitted variable bias by incorporating other variables that might explain the changes in the dependent variable (Tshipa, 2017). In this study, there were two control variables accepted to have an effect on South African dividends.

2.9 The profitability of the company and dividend pay-out

Profitability has been selected as one of the control variables in this study because of its ability to influence dividend pay-out decisions. Historically, profitability is perceived as a good measure of a company's ability to pay dividends (Gill, Biger & Tibrewala, 2010). De Angelo et al. (2006) believe that profitable companies are more mature and less inclined to seek out multiple investment opportunities, which made them pay higher dividends.

Findings by Amidu and Abor (2006) and Anil and Kapoor (2008) revealed a positive relationship between profitability and dividend pay-out, confirming the hypothesis presented by De Angelo et al. (2006). Besides, previous studies have shown that profitable South African companies issue more dividends than firms with low profitability (Firer et al., 2008; Fusire, 2018; Nyere & Wesson, 2019).

However, Brook, Charlton and Hendershoft (1998) posit that dividend pay-out cannot be driven by one goal. Hence, the non-payment or low payment of dividends should not imply that a firm is not profitable (Ahmed, 2015). A profitable firm deciding that it has access to more lucrative investment opportunities may choose to withhold dividends (Ahmed, 2015). The findings by Amidu and Abor (2006), Anil and Kapoor (2008), and Fusire (2018) of a positive relationship between profitability and dividend pay-out, provide a contrasting view to Lintner's (1956) belief that current profitability on its own was not sufficient to influence dividend pay-out. Instead, only a permanent change in earnings could affect dividend pay-out (Lintner, 1956).

2.10 Previous dividend and current dividend pay-out

Lintner's (1956) survey established that American firms aimed to maintain a pre-set targeted dividend payout ratio, which led to dividend smoothing over time. Lintner was of the view that only permanent changes in earnings would affect the current dividend pay-out.

Ozo, Arun, Kostov and Uzonwanne (2015) replicated Lintner's (1956) study to suit the Nigerian context. Their survey results revealed that each year's dividend is dependent on the current earnings for Nigerian companies. Some managers alluded to considering the previous year's dividend when setting the year's dividend pay-out. However, 12 out of the 21 respondents highlighted that they only considered the previous year's dividend for comparison purposes.

Imran (2011) examined the determinants of dividend pay-out of Pakistan's engineering sector for thirty-six firms listed on Karachi Stock Exchange from 1996 to 2008. Results revealed a positive relationship between previous dividends and current dividend pay-out. These results are consistent with Dickens, Casey and Newman (2003), who submit that dividend history was an essential factor in determining dividend pay-out.

3. METHODOLOGICAL APPROACH

In line with recent papers examining the relationship between corporate governance and dividend pay-out, the study uses panel regression techniques to analyse the data (Elmaghri et al., 2017; Sarwar et al., 2018 & Tahir et al., 2020).

This technique is utilised because it measures both time elements and cross-sectional elements of data. This quality was considered useful for this research because it is characterised by time series (annual firm variables from 2013 to 2018) and cross-section dimensions (top40 Companies listed on the Johannesburg Stock Exchange).

To examine the relationship between board characteristics and dividend pay-out, the following econometric specification was applied to the study:

$DPR_i = y1 + y2BGEN2it + y3BETHN3it + y4CTEN4it + y5BFINEX5it + y6BSIZE6it + y7BIND7it + y8PROF8it + y9PREVDIV9it + \dot{\varepsilon}it…$ **(Eqn 3.1)**

where:

DPR is a dependant variable representing the Dividend Payout Ratio;

BGEN is an independent variable representing Board Gender;

BETHN is an independent variable representing Board Ethnicity;

AVAGE is an independent variable representing Average Age of Board Members;

BFINEX is an independent variable representing Board Financial Expertise;

BSIZE is an independent variable representing the Size of the Board;

BINDis an independent variable representing the number of Independent Directors serving on a company's board;

PROF is a control variable representing a company's Profitability, and

PREVDIV is a control variable representing a company's Previous Dividend.

3.1 Data and sample
The study examines the relationship between board characteristics and dividend pay-out in the top 40 companies of the JSE, therefore, the sample includes only the top 40 companies of the JSE. The top 40 Index is designed to be an equitable reflection of the South African stock market performance (Courtney Capital, 2013). In addition, it constitutes 80% of the total market capitalisation and is deemed a key market indicator (Kotze, 2017). To be included in the final sample, companies in the top 40 were required to have their primary listing on the JSE, have paid out a dividend for at least a portion of the period under review (2013 and 2018) lastly, have readily available audited financial statements.

To ensure that only companies with a primary listing on the JSE were included in the sample, the Equity RT database's search criteria were limited to those companies with an active primary listing on the JSE. Based on market capitalization, a list of the JSE top 40 companies was obtained from the Equity RT database. Board characteristics of the identified companies were collected manually from their audited integrated annual reports. For credibility, these reports were sourced from official company websites. In addition to board characteristics, this study made use of financial variables. These were obtained directly from the Equity RT database, a global data management company that specializes in financial market research. Once the data was obtained, analysis for this work was carried out using Eviews software version 11.

3.2 Research variables
To determine the relationship between board characteristics and dividend pay-out, the study used the dividend pay-out ratio as the dependent variable and demographic board characteristics, board

gender diversity, board ethnic diversity, average age of the board, financial expertise, board size and board independence were used as the main independent variables under study. Two control variables were included in the study. They comprised of two accounting-based variables, profitability and previous dividend.

Table I below shows the list and definition of all the variables used.

Table I: Research variables used in the study

Type	Variable	Definition		
Dependent	Dividend pay-out	$$\dfrac{Dividend\ Per\ Share\ (DPS)}{Earnings\ Per\ Share\ (EPS)}$$		
Independent	Gender diversity	**Category of gender diversity**		**Value of dummy**
		Less than 33% of women on the board		0
		More than 33% of women on the board		1
Independent	Ethnic diversity	Non-white (black) members of an entity's board expressed as a percentage of the entire board size		
Independent	Financial expertise	Financial manager or in any other expert role in finance, expressed as a percentage of the entire board size		
Independent	Average age of the board	Average age of board members as the total age of all board members divided by the total number of board members		
Independent	Board size	Natural logarithm of total board size		
Independent	Board Independence	Number of independent NEDs expressed as a percentage of the entire board size.		
Independent	Previous dividend	Lagged DPS ratio		
Independent	Profitability	Return on Assets (ROA)		

Source: Authors own construction

In the recent past, the South African government has put forward a proposal that would see companies shift towards 50% female board representation. Viviers et al. (2017) reports that this proposal was not well received (Viviers et al., 2017).

South Africa is not the first country to implement the quotas on gender. Countries like Norway have implemented a 40% board gender quota. Further, FTSE 100 companies are progressing towards achieving a 33% target by the end of 2020 (Viviers et al., 2017; Thomas, 2020).

Mans-Kemp and Viviers (2015) have argued that a 33% quota could be deemed an appropriate target to indicate good board and gender diversity representation. For the purpose of this study, Mans-Kemp and Viviers (2015) proposal of 33% was used as a target for gender diversity in firms that were observed.

Regarding the Return on Assets (ROA), it represents how profitable a firm is relative to its total assets. ROA provides an idea to key firm stakeholders as to how efficient a company's management is at using its assets to generate earnings.

Table II below shows the descriptive statistics used to analyze the data distributions of the variables used in this study.

Table II: Descriptive statistics

Variable	Standard Deviation	Skewness	Kurtosis	Mean	Min	Max
Dividend Payout Ratio	0.7015	-7.4582	94.11	0.42	-7.44	3.16
Return on Assets	12.660	1.2300	4.85	9.18	-17.12	63.73
Gender diversity	0.1000	0.5200	3.56	0.20	0.00	0.50
Ethnic diversity	0.1500	0.5000	2.83	0.36	0.07	0.75
Financial expertise	0.1407	0.0260	2.92	0.44	0.08	0.80
Average age of the board	3.1700	-0.3000	2.64	56.56	48.00	64.00
Board size	2.9037	0.2962	2.41	14.27	9	21
Board Independence	0.1302	-0.0561	2.15	0.55	0.29	0.85

Source: authors E-views

Data indicates that only 20.4% females served on JSE top 40 corporate boards during the period under study. In some boards in the sample, no female representation was noted. This is an indication that there are factors hindering the presence of women on South African boards. Furthermore, JSE top 40 boards comprise 36.22% black directors (Blacks, Coloreds and Indians). According to the StatsSA (2019) midyear report, black people constitute 92.1% of the South African population. Hence, the number of Black people serving on South African boards appears not to be a fair representation South Africa's population demographics. It should be noted that this situation is not unique to the South African landscape. According to Cheng, Groysberg and Healy (2020), a similar picture is painted in America where 37 % of S & P 500 companies do not have black board members. Furthermore, they indicated that only 4.1% of Russell 3000 board members in 2019 were black.

The average age of JSE top40 board of directors was 56.6 years during the observed period. There was no large variation in the average age of the board with members averaging between 54 to 57 years of age over the six-year period. The descriptive statistics suggest that predominantly middle-aged directors govern JSE top40 boards. This is under the presumption that individuals aged between 35 and 59 are classified as middle aged (Swart, Buthelezi & Seedat, 2019). **Table II** indicates that, on average, JSE top40 boards are made up of 14 members. This is consistent with the work by Taljaard, Ward and Muller (2015). This suggests that the average has remained constant over the years. In their work, Taljaard et al. (2015) found that on average, 14 board members led the JSE top 40 boards between 2000 and 2013. The smallest board in the sample had nine members, while the most giant board had 21 members. Larger board sizes were observed in the Financial Services sector. This is in line with Walker (2009) who found that UK banks had larger board sizes than any other listed companies, and this was due to their complex organisational structure.

3.3 Correlation analysis

The presence of a high correlation between independent variables creates problems in interpreting regression results. When variables are highly correlated, their unique contribution to the prediction of the independent variable may not be visible. The extent to which multicollinearity poses a challenge to data interpretation depends on the degree of collinearity. There is a consensus amongst researchers that acceptable collinearity levels range between 0.7 and 0.9 (Gujarati, 1995; Kennedy, 1999; Fusire, 2018). This study applies a stricter limit of 0.7 as suggested by Tabachnick and Fidell (2001). The collinearity between the independent variables is presented in the Table **III** below.

Table III: Research variables used in the study

	DPR	PrevDiv	Bsize	Bgen	Bethn	Finex	Avage	Bind	ROA
DPR	1.0000	0.2620	0.0048	0.0097	0.0616	0.0164	-0.0259	-0.1249	0.0930
PrevDiv	-0.2620	1.0000	-0.0435	0.0116	0.0643	0.0058	-0.0204	-0.0446	0.0926
Bsize	0.0049	-0.0434	1.0000	-0.3175	-0.0877	-0.1123	-0.0287	-0.1495	-0.3351
Bgen	0.0097	0.0116	-0.3175	1.0000	0.2515	0.0408	-0.0293	0.1460	0.2682
Bethn	0.0616	0.0644	-0.0877	0.2515	1.000	-0.0554	0.0773	0.3291	0.0699
Finex	0.0164	0.0058	-0.1123	0.0408	-0.0554	1.0000	-0.3228	-0.2473	0.0903
Avage	-0.0259	-0.0204	-0.0287	-0.0293	0.0774	-0.3228	1.0000	0.3342	-0.2203
Bind	-0.1249	-0.0446	-0.1495	0.1460	0.3291	-0.2473	0.3342	1.0000	0.0092
ROA	0.0930	0.0926	-0.3351	0.2682	0.0699	0.0903	-0.2200	0.0092	1.000

Source: authors Eviews output

At almost 34%, the highest correlation exists between board size and profitability, as measured by Return on Asset (ROA). Slow decision-making and communication challenges associated with larger boards can be an obstacle to change and, as a result, it negatively affects firm performance, hence the negative correlation (Bennedsen, Kongsted & Nielsen, 2008). The results demonstrated in the table above also display a moderate positive correlation between gender representation and profitability as measured by ROA. This is expected since the literature on gender diversity suggests that women bring their unique perspectives to the board, and hence, boards with more extensive female representation achieve higher firm performance (Westphal & Milton, 2000). Overall, the correlations demonstrated in **Table III** are considered acceptable as none of them surpass a 0.7 benchmark.

3.4 Data analysis

Three separate models were considered for the regression, namely the pooled Ordinary Least Square (OLS) regression, the fixed effects regression and the random effects regression.

Diagnostic tests were performed to determine the best model for interpretation. The Hausman test was applied to decide between the random effects model and the fixed effects model. Furthermore, the redundant fixed effects test was conducted to determine the preferred model between the fixed effects model and the pooled OLS. The results of the regression are shown in **Table IV** below:

Table IV: Regression results

	Pooled Regression		Fixed Effects Regression		Random Effects Regression	
Variable	Coefficient	P-value	Coefficient	P-value	Coefficient	P-value
C	0.1008	0.9433	-2.2646	0.3604	0.1008	0.9427
Bgen	-0.0443	0.7974	0.1444	0.6490	-0.0443	0.7953
Bethn	0.6704	0.0844*	2.3440	0.0279**	0.6704	0.0813*
Finex	-0.0857	0.8293	0.8871	0.2603	-0.0857	0.8275
Avage	0.0107	0.5626	0.0055	0.8383	0.0107	0.5585
Bind	-1.0770	0.0193**	-2.1153	0.0201**	-1.0770	0.0181**
Bsize	0.0620	0.8277	0.8560	0.1417	0.0620	0.8529
PrevDiv	-0.2912	0.0001***	-0.3939	0.0000***	-0.2912	0.0001***
Prof	0.0075	0.0994*	0.0209	0.0391**	0.0075	0.0959*
R-squared	0.12		0.29		0.12	
Adjusted R-squared	0.08		0.10		0.08	
F-Stat	0.006***		0.0481**		0.006***	

*, **, ***, indicate statistically significant coefficients at 90%, 95% and 99% confidence levels respectively

Source: Authors Eviews output

The pooled OLS model and random-effects model yielded similar results in the sense that the adjusted R squared values indicated to both models explaining 8% of the dividend pay-out ratio. The results showed that board independence and previous dividend were negatively and statistically significant at 95% and 99% significance levels, respectively. Profitability and board ethnic diversity were positive and statistically significant, though at a lower confidence level of 90%. Gender diversity was positively related to dividends though it was statistically insignificant. Robustness checks using the percentage of women on the board as a gender diversity measure confirmed a positive and non-statistically significant relationship between gender diversity and dividend pay-out under both the pooled OLS model and the random-effects model. Furthermore, the direction of the coefficients remained consistent in all the independent variables.

Financial expertise has a negative, but statistically insignificant relationship with dividend pay-out. Board size and average age of the board both have a positive and statistically insignificant relationship with dividend pay-out. To determine the reliability of the results produced by these two models, the study relies on the probability of the F-statistic, which is statistically significant at a 99% confidence level. This indicates that the results of the model can be relied on.

The fixed effects model explains 10% of the dividend pay-out ratio based on the adjusted R squared value. Similar to the pooled regression and random effects model, board independence and previous dividend are negatively and statistically significant at a 95% and 99% significance level. The p-values of board ethnic diversity and dividend pay-out indicate a positive and higher statistical significance than that found in the pooled OLS and random-effects model. Robustness checks using the percentage of women on the board as a diversity measure also confirm a positive and non-statistically significant relationship between gender diversity and dividend pay-out.

The Hausman test was conducted to determine the preferred model between the random effects regression and the fixed effects regression. The results showed a p-value of 0.00 and, accordingly, the hypothesis that the random effects model is the most appropriate model is rejected and the fixed effects model is chosen as the alternative.

To determine the most appropriate model between the fixed effects model and the pooled OLS model, a redundant fixed effects test was performed. The results showed that the null hypothesis of redundant fixed effects be accepted using p-values of both the cross section (0.30) and cross-sectional Chi Square (0.13), which are greater than 0.05. This means that the intercept is constant across all variables and there is no need to account for heterogeneity hence the pooled OLS regression is the preferred model. Accordingly, the results from the pooled OLS are interpreted.

Before engaging in a detailed discussion of the results obtained from the preferred model (pooled OLS), the following **Table V** reconciles the formulated hypotheses for the study with the regression outcomes. Hypotheses were either accepted or rejected based on the statistical significance of the results.

Table V: Hypotheses outcomes

	Hypothesis	Accepted/Rejected
H_1	There is a relationship between gender diversity and dividend payout	Rejected
H_2	There is a relationship between ethnic diversity and dividend payout	Accepted

H_3	There is a no relationship between ethnic diversity and board and dividend payout	Rejected
H_4	There is a relationship between average age of board members and dividend payout	Rejected
H_5	There is no relationship between average age of board members and dividend payout	Accepted
H_6	There is a relationship between financial expertise and dividend payout	Rejected
H_7	There is a relationship between board size and dividend payout	Rejected
H_8	There is a negative relationship between board independence and dividend payout	Accepted

Source: Author's own construction

Table VI below shows the pooled regression, which is the final interpretation based on the diagnostic tests.

Table VI: Regression results

	Pooled Regression	
Variable	Coefficient	P-value
C	0.1008	0.9433
Bgen	-0.0443	0.7974
Bethn	0.6704	0.0844*
Finex	-0.0857	0.8293
Avage	0.0107	0.5626
Bind	-1.0770	0.0193**
Bsize	0.0620	0.8277
PrevDiv	-0.2912	0.0001***
Prof	0.0075	0.0994*
R-squared	0.12	
Adjusted R-squared	0.08	
F-Stat	0.006***	
*, **, ***, indicate statistically significant coefficients at 90%, 95% and 99% confidence levels respectively		

Source: Authors E-views output

The results show that there is a positive relationship between gender diversity and dividend pay-out. The relationship direction is expected as it supports the agency perspective, which posits that gender-diverse boards are more inclined to pay higher dividends due to increased monitoring by female directors (Ye et al., 2019).

However, this result is statistically insignificant and similar to that obtained by Eluyela et al. (2019), who found that gender diversity does not significantly influence dividend pay-out amongst Nigerian firms. Similarly, these can be compared to Taylor and Peens (2017) results who found an insignificant relationship between gender diversity and firm performance in South African firms. These results suggest that the increased presence of women serving on South African boards does not significantly affect firm performance or monitoring activities.

As expected, there is a positive and significant relationship between ethnic diversity and dividend pay-out. This is in line with previous literature (Al-Dhamari, 2016; Byoun et al., 2016). These studies agree that diverse boards pay larger dividends due to the enhancement of monitoring activities for shareholders' benefit. This is in line with the agency theory perspective and the view that diverse cultures bring unique perspectives to the board. Therefore, ethnic diversity enhances monitoring activities (Al-Dhamari, 2016).

The results showing a negative and significant result between board independence and dividend pay-out are not surprising. Previous studies examining this relationship have found evidence supporting the substitution hypothesis (Abor & Fiador, 2013; Elmagrhi et al., 2017). The position is that firms with high independence have no reason to use dividends as a monitoring device. Instead, as board independence increases, the dividends level decreases as funds are retained for future investment. This view is supported by Papo (2016), who also found a negative and statistically significant relationship between board independence and dividend pay-out within the South African context.

Table **VI** shows that profitability has a positive and significant relationship with dividend payment, however at a much lower confidence level of 90%. While this confirms the findings by Firer et al. (2008), Fusire (2018) and Nyere and Wesson (2019) who studied this relationship in a South African context, the level of significance suggests that current profitability does not have as much impact as the previous dividend in explaining current dividend pay-out.

Table **VI** shows that the relationship between the previous dividend and dividend pay-out can be explained at a 99 % confidence level. The negative direction of the relationship between the previous dividend and dividend pay-out was not expected. There was volatility in the dividend pay-out ratio between 2015 and 2018, where a lower dividend followed a period of high dividend for a few years before finally returning to a 'normal' dividend. This may explain the negative relationship, which contrasts with Dickens et al. (2003) and Imran (2011) who found a positive relationship between the variables.

In line with previous studies, there is strong evidence to suggest that ultimately, South African firms in the JSE top 40 aim to maintain stable dividends over time (Firer, 2008; Firer et al., 2008; Viviers et al., 2013; Sibanda, 2016). Therefore, previous dividends are a massive consideration in determining current year dividends. This is in line with Lintner (1956), who maintains that current profitability was not a strong base for the determination. Instead, managers aimed to smooth dividends over time.

4. SUMMARY, CONCLUSION AND IMPLICATIONS OF THE STUDY
First, the significant relationships between the two board characteristics confirmed a relationship between board characteristics and dividend pay-out. The study advances the argument that dividends act as substitutes for corporate governance mechanisms dividends for companies in the

study sample as substitutes for corporate governance mechanisms for the companies study sample. The study view that boards with diverse directors motivate high dividends in companies, already facing agency problems. This is done to maintain relationships with existing shareholders. However, as independence increases, the need to use dividends as governance mechanisms, reduce. Therefore, shareholders should note that firms with more independent directors are better positioned to retain funds for investment in future lucrative investment projects.

Second, the regression results do not provide a compelling business case for demographic diversity in boards, given that only one out of the four diversity measures showed a significant relationship with dividend pay-out. However, the descriptive statistics showed that there is need for more considerable transformation efforts in the JSE sectors, both in terms of gender and racial diversity.

Against this background, the study views it necessary for policymakers to set legislative quotas similar to those found in Norway, Spain and France. Even so, the enforcement of these quotas needs to be supported by guidelines and processes that ensure that transformation efforts are not undermined. Naturally, the declining number of male directors during the observed period indicates increased efforts to accommodate women on boards. However, caution needs to be exercised in ensuring that black men are not overlooked, given that companies might find it more convenient to appoint a single black female director to tick both the gender and racial diversity 'box.'

The study holds that appointing diverse directors regarding gender, race, age and expertise is a step in the right direction. However, it urges companies to comprehend that the value of true diversity is found in the unique perspectives that enhance decision-making. Therefore, in addition to adopting legislation quotas, companies need to set policies that ensure that existing directors are receptive toto new diverse appointments' views and contributions.

5.   REFERENCES

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.

Ahmed, I. E. (2015). Liquidity, profitability and the dividends payout policy. *World Review of Business Research*, *5*(2), 73-85.

Al-dhamari, R., Ismail, K., Izah, K. N., & Al-Gamrh, B. (2016). Board diversity and corporate payout policy: Do free cash flow and ownership concentration matter? *Corporate Ownership and Control*, *14*(1), 373-383.

Al-Rahahleh, A. S. (2017). Corporate governance quality, board gender diversity and corporate dividend policy: Evidence from Jordan. *Australasian Accounting, Business and Finance Journal*, *11*(2), 86-104.

Al-Shaer, H., & Zaman, M. (2016). Board gender diversity and sustainability reporting quality. *Journal of Contemporary Accounting & Economics*, *12*(3), 210-222.

Amidu, M., & Abor, J. (2006). Determinants of dividend payout ratios in Ghana. *The Journal of Risk Finance*, 7(2), 136-145.

Anil, K., & Kapoor, S. (2008). Determinants of dividend payout ratios-a study of Indian information technology sector. *International research journal of finance and economics*, *15*(1), 63-71.

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.

Barako, D. G., Hancock, P., & Izan, H. Y. (2006). Factors influencing voluntary corporate disclosure by Kenyan companies. *Corporate Governance: an international review*, 14(2), 107-125.

Bennedsen, M., Kongsted, H. C., & Nielsen, K. M. (2008). The causal effect of board size in the performance of small and medium-sized firms. *Journal of Banking & Finance*, 32(6), 1098-1109.

Benjamin, O. M., & Tenai, J. (2018). Effect of Age Diversity on Dividend Policy in Kenya. *IJAMEE*.

Benjamin, S. J., & Zain, M. M. (2015). Corporate governance and dividends payout: are they substitutes or complementary? *Journal of Asia Business Studies,* 9(2), 177-194.

Black, F. (1976). The Dividend Puzzle. *Journal of Portfolio Management*, 2, 5-8.

BPP learning media. (2015). *CIMA: Risk Management Studytext. P3*: BPP learning media.

Brook, Y., Charlton Jr, W. T., & Hendershott, R. J. (1998). Do firms use dividends to signal large future cash flow increases? *Financial Management*, 27(3), 46-57.

Byoun, S., Chang, K., & Kim, Y. S. (2016). Does corporate board diversity affect corporate payout policy? *Asia-Pacific Journal of Financial Studies*, *45*(1), 48-101.

Caplinger, D. (2019). Will Facebook Start Paying a Dividend in 2019. *The Motley Fool*. Available from: https://www.fool.com/investing/2019/01/21/will-facebook-start-paying-a-dividend-in-2019.aspx (Accessed on 7 May 2020).

Cheng, L. T., Chan, R. Y., & Leung, T. Y. (2010). Management demography and corporate performance: Evidence from China. *International Business Review*, 19 (3), 261-275.

Cheng, J.Y.J., Groysberg, B., & Healy, P. (2020). Why do Boards have so few Black Directors. *Harvard Business Review.* Available from:https://hbr.org/2020/08/why-do-boards-have-so-few-black-directors (Accessed 20 September 2020).

Courtney Capital. (2013). *JSE Top 40 shares.*Available from: https://www.courtneycapital.co.za/jse-top-40-shares/. (Accessed 21 January 2020)

Cumming, D., Leung, T. Y., & Rui, O. (2015). Gender diversity and securities fraud. *Academy of management Journal*, *58*(5), 1572-1593.

De Angelo, H., De Angelo, L., & Stulz, R. M. (2006). Dividend Policy and the application of lognormal model: A test of the lifecycle theory. Journal of Financial Economics, 81(2), 227- 254.

Dickens, R. N., Casey, K. M., & Newman, J. A. (2002). Bank dividend policy: explanatory factors. *Quarterly journal of Business and Economics*, 41(1), 3-12.

Dolamo, M. (2017). The relationship between executive management diversity and financial performance in South African state-owned enterprises /M.Com. (Finance) [Unpublished]: University of Johannesburg. Available from: http://hdl.handle.net/10210/271634.

Elmagrhi, M. H., Ntim, C. G., Crossley, R. M., Malagila, J. K., Fosu, S., & Vu, T. V. (2017). Corporate governance and dividend pay-out policy in UK listed SMEs. *International Journal of Accounting & Information Management*, 25(4), 459-483.

Elyasiani, E., Jia, J., & Movaghari, H. (2019). Determinants of dividend payout and dividend propensity in an emerging market, Iran: an application of the LASSO. *Applied Economics*, *51*(42), 4576-4596.

Fusire, T.O. (2018). Determinants of dividend payout for the financial and consumer goods services sectors on the JSE / M.Com. (Finance) [Unpublished]: University of Johannesburg. Available from: http://hdl.handle.net/10210/272714.

Ghasemi, R. S., Madrakian, H., & Keivani, F. S. (2013). The Relationship between the corporate governance and the stock institutional ownership with the dividend-A case study of Tehran. *Journal of Business and Management*, *15*(2), 65-69.

Gill, A., Biger, N & Tibrewala, R. (2010). Determinants of Dividend Payout Ratios: Evidence from United States, *The Open Business Journal*, 3, 8-14.

Gompers, P., Ishii, J., & Metrick, A. (2003). Corporate governance and equity prices. *The quarterly journal of economics*, *118*(1), 107-156.

Gordon, M. J. (1959). Dividends, earnings, and stock prices. *The review of economics and statistics*, *41*(2), 99-105.

Gujarati, D.N. (1995), Basic Econometrics, 3rd ed., McGraw-Hill, New York, NY

Gyapong, E., & Afrifa, G. A. (2019). The simultaneous disclosure of shareholder and stakeholder corporate governance practices and their antecedents. International Journal of Finance & Economics, 24(1), 260-287.

Idris, A. A., Ishak, R., & Hassan, N. L. (2019). Dividend payout among Nigerian firms: Do female directors matters?Jurnal Ekonomi Modernisasi, 15(1), 1-16.

Jensen, M.C. & Meckling, W.H. (1976). Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure. Journal of Financial Economics, 3(4), 305-360.

Ji, A. E. (2017). Board financial expertise and corporate payout policy. *Journal of Applied Business and Economics*, *19*(10).

Jingura, N. L. (2018). The Relationship between Corporate Governance Board Characteristics and Financial Performance of South African JSE Listed Companies in the Construction and Building Materials Sector /M.Com. (Finance) [Unpublished]: University of Johannesburg. Available from: http://hdl.handle.net/10210/403161.

John, K., & Senbet, L. W. (1998). Corporate governance and board effectiveness. *Journal of Banking & Finance*, 22(4), 371-403.

Jonty, T., & Mokoteli, T. M. (2015). The impact of gender diversity in the boardroom on firm performance: A South African perspective. *Corporate Boards: Role, Duties & Composition*, *11*(1), 74-82.

Kennedy, P. (1999).*A Guide to Econometrics, 4th ed.* Blackwell: Oxford.

Kesner, I. F., & Johnson, R. B. (1990). An investigation of the relationship between board composition and stockholder suits. *Strategic Management Journal*, *11*(4), 327-336.

La Porta R., Lopez-de-Silanes F., Shleifer A. & Vishny R., (2000). Agency Problems and Dividend Policies around the World. Journal of Finance, 55, 1-33.

Lee-Hwei Khaw, K., & Liao, J. (2018). Board Gender Diversity and Its Risk Monitoring Role: Is It Significant? *Asian Academy of Management Journal of Accounting and Finance*, 14(1), 83-106.

Lintner,J.(1956).Distributionofincomesofcorporationsamongdividends,retainedearnings, and taxes. *The American economic review*, 46(2),97-113.

Kotze, A. (2017). FTSE/JSE Top 40 Index Long-Term Returns. Available from:https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2978093.

Mans-Kemp, N. (2015). The relationship between corporate governance and dividend payout ratios: A South African study. *Management Dynamics: Journal of the Southern African Institute for Management Scientists*, *24*(2), 20-35.

Mans-Kemp, N., & Viviers, S. (2015). Investigating board diversity in South Africa. *Journal of Economic and Financial Sciences*, *8*(2), 392-414.

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.

Marinova, J., Plantenga, J., & Remery, C. (2016). Gender diversity and firm performance: Evidence from Dutch and Danish boardrooms. *The International Journal of Human Resource Management*, *27*(15), 1777-1790.

Maroun, W., & Cerbone, D. (2020). *Corporate Governance in South Africa (Vol. 2)*. Walter de Gruyter GmbH & Co KG.

Modigliani, F. & Miller, M. (1961). Dividend Policy, Growth and the Valuation of Shares. *The Journal of Business*, 34(4), 411-433.

Moloi, T. (2020). Assessment of Corporate Governance Reporting in the Annual Reports of South African Listed Companies. Masters Dissertation, University of South Africa.

Moloi, T., & Marwala, T. (2020). Artificial Intelligence in Economics and Finance Theories. *SeriesAdvanced Information and Knowledge Processing*, Springer.

Nasdaq Stock Exchange. (2020). Market Activity: Facebook dividend history. *Nasdaq Stock Exchange.* Available from:https://www.nasdaq.com/market-activity/stocks/fb/dividend-history (Accessed on 7 May 2020).

Naudé, P., Hamilton, B., Ungerer, M., Malan, D., & De Klerk, M. (2018). Steinhoff Saga. *University of Stellenbosch Management Review: Special Report (June 2018).*

Nuhu, E. (2014). Revisiting the determinants of dividend payout ratios in Ghana. *International Journal of Business and Social Science*, *5*(8), 230-238.

Nyere, L., & Wesson, N. (2019). Factors influencing dividend payout decisions: Evidence from South Africa. *South African Journal of Business Management*, *50*(1), 1-16.

Okere, W., Eluyela, F. D., Lawal, A. I., Oyebisi, I., Eseyin, O., Popoola, O., & Awe, T. E. (2019). Foreign expatriates on board and financial performance: A study of listed deposit money banks in Nigeria. *The Journal of Social Sciences Research*, *5*(2), 418-423.

Ozo, F. K., Arun, T. G., Kostov, P., & Uzonwanne, G. C. (2015). Corporate dividend policy in practice: the views of Nigerian financial managers. *Managerial finance*, 41 (11), 1159-1175.

Papo,P.(2016).DividendPolicyandCorporategovernanceinEmergingMarkets:TheSouth African Case. Master of Finance and Investment [Unpublished]: University ofWitwatersrand. Available from: http://hdl.handle.net/10539/20937.

Qiao, Z., Chen, K. Y., & Hung, S. (2018). Professionals inside the boardroom: accounting expertise of directors and dividend policy. *Applied Economics*, *50*(56), 6100-6111.

Rossouw, J., & Styan, J. (2019). Steinhoff collapse: a failure of corporate governance. *International Review of Applied Economics*, *33*(1), 163-170.

Sarwar, B., Xiao, M., Husnain, M., & Naheed, R. (2018). Board financial expertise and dividend-paying behavior of firms. *Management Decision*, 56(9),1839-1868.

Shamsabadi, H. A., Min, B. S., & Chung, R. (2016). Corporate governance and dividend strategy: lessons from Australia. *International Journal of Managerial Finance*, 12(5),583-610.

Shehu, M. (2015). Board characteristics and dividend payout: Evidence from Malaysian public listed companies. Research Journal of Finance and Accounting, 6(16), 35-40.

Swart, L., Buthelezi, S., & Seedat, M. (2019). The incidence and characteristics of homicides in elderly compared with non-elderly age groups in Johannesburg, South Africa. *SAMJ: South African Medical Journal*, *109*(6), 437-442.

Tabachnick, B.G. & Fidell, L.S. (2001). *Using Multivariate Statistics, 4th ed.* Boston: Allyn and Bacon.

Tahir, H., Rahman, M., & Masri, R. (2020). Do Board Traits Influence Firms' Dividend Payout Policy? Evidence from Malaysia. *The Journal of Asian Finance, Economics and Business (JAFEB)*, *7*(3), 87-99.

Taljaard, C. C., Ward, M. J., & Muller, C. J. (2015). Board diversity and financial performance: A graphical time-series approach. *South African Journal of Economic and Management Sciences*, *18*(3), 425-447.

Taylor, N., & Peens, N. (2017). Gender diversity and corporate performance in South African listed companies. In *Proceedings of the presentation* at *5th International Conference on Management, Leadership and Governance, At Johannesburg, South Africa.*

The World Bank (2003*). Report on the Observance of Standards and Codes (ROSC): Corporate Governance Country Assessment, Republic of South Africa.* Available from*:* http://documents.worldbank.org/curated/en/968991468305678899/South-Africa-Report-on-the-observance-of-standards-and-codes-ROSC-corporate-governance-country-assessment. (Accessed 7 February 2020)

Thomas, D. (2020). Top UK groups reach board gender target but smaller companies trail. Available from https://www.ft.com/content/47d7cba0-49b2-11ea-aeb3-955839e06441 (Accessed 13 July 2020)

Viviers, S., Mans-Kemp, N., & Fawcett, R. (2017). Mechanisms to promote board gender diversity in South Africa. Acta Commercii, 17(1), 1-10.

Waelchli, U., & Zeller, J. (2013). Old captains at the helm: Chairman age and firm performance. *Journal of banking & finance*, *37*(5), 1612-1628.

Westphal, J. D., & Milton, L. P. (2000). How experience and network ties affect the influence of demographic minorities on corporate boards. *Administrative Science Quarterly*, *45*(2), 366-398.

Ye, D., Deng, J., Liu, Y., Szewczyk, S. H., & Chen, X. (2019). Does board gender diversity increase dividend payouts? Analysis of global evidence. *Journal of Corporate Finance*, *58*, 1-26.