OWNERSHIP STRUCTURE AND MARKET POWER AS DETERMINANTS OF CORPORATE DIVIDEND POLICY IN SAUDI ARABIA

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JULY 2015
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Thesis submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
In Partial Fulfillment of the Requirement for the Master of Sciences
(International Accounting)
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ABSTRACT

This study investigates the relationship between ownership structure, market power, and dividend policy for listed companies on Saudi stock exchange over the period 2009 to 2013. The study examines the roles of managerial ownership, individual ownership, concentrated ownership, and foreign ownership and firm's market power in influencing dividend payout. Data of this study has been analyzed using Ordinary Least Square (OLS) regression. F-value revealed that all these five independent variables namely, managerial, individual, foreign, concentrated ownership, and market power, collectively explains the dependent variable by 40.91 percent. This study finds that concentrated ownership has significant and positive relationship with the dividend payout while the relationship between market power and dividend payout is significant but negative. On the other hand, managerial, individual, and foreign ownership has insignificant relationship with dividend payout.

**Keywords:** dividend, ownership structure, market power.
ABSTRAK

Kajian ini mengkaji hubungan antara struktur pemilikan, kuasa pasaran, dan dasar dividen bagi syarikat yang tersenarai di bursa saham Saudi dari tahun 2009 hingga 2013. Kajian ini mengkaji peranan pemilikan pengurusan, pemilikan individu, pemilikan tertumpu, dan pemilikan asing dan kuasa pasaran firma dalam mempengaruhi pembayaran dividen. Data kajian ini telah dianalisis dengan menggunakan Ordinary Least Square (OLS) regresi. F-value mendapat kesemua lima pembolehubah bebas iaitu, pengurusan, individu, asing, pemilikan tertumpu, dan kuasa pasaran, secara kolektif menerangkan pembolehubah bersandar dengan 40.91 peratus. Kajian ini mendapati bahawa pemilikan tertumpu mempunyai hubungan yang signifikan dan positif dengan pembayaran dividen manakala hubungan antara kuasa pasaran dan pembayaran dividen adalah penting tetapi negatif. Sebaliknya, pengurusan, individu, dan pemilikan asing mempunyai hubungan tidak signifikan dengan pembayaran dividen.

Kata Kunci: Dividen, struktur pemilikan, kuasa pasaran.
ACKNOWLEDGEMENT

First and foremost, I am extremely thankful to almighty Allah, who helped me complete this thesis successfully and provided me with vision in conducting this research.

Great thanks and gratitude go to my supervisor, Dr. Kamarul Bahrain bin Abdul Manaf, for his contributions in the form of feedback. Specifically, special thanks go to my supervisor for his contributions to the success of the research and his continued encouragement.

I would like to thank my parents especially, and my family who have continuous encouraged me during my difficult condition. Also, thanks for giving a great moral support throughout the duration of my studies and unceasing prayers for my success. Do not forget my friends, as well as my classmates, who share the idea and encouraged me.

Thank You

Sincerely,

Sonoussi Abdussalam, S.A.A
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<th>Description</th>
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<tr>
<td>ROE</td>
<td>Return on Equity</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on assets</td>
</tr>
<tr>
<td>CONC</td>
<td>Concentrated Ownership</td>
</tr>
<tr>
<td>DPR</td>
<td>Dividend Payout ratio</td>
</tr>
<tr>
<td>NEMA</td>
<td>Middle East and North African</td>
</tr>
<tr>
<td>KSA</td>
<td>Kingdom of Saudi Arabia</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>SSE</td>
<td>Saudi Stock Exchange</td>
</tr>
<tr>
<td>OLS</td>
<td>Ordinary Least Squares</td>
</tr>
<tr>
<td>MNG</td>
<td>Managerial ownership</td>
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<tr>
<td>IND</td>
<td>Individual ownership</td>
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<td>FORG</td>
<td>Foreign ownership</td>
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<td>Abbreviation</td>
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<tr>
<td>MarketPow</td>
<td>firm’s market power</td>
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<td>PROFIT</td>
<td>Profitability</td>
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<td>FSIZE</td>
<td>Firm Size</td>
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<tr>
<td>VIF</td>
<td>Variance Inflation Factor</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

The issue of appropriate dividend policy has generated a lot of attention and debate in the business environment and among researchers. This is because of digressed relationship among firms’ specific issues such as firm’s value and dividend policy (Hafza & Mirza, 2011). Nevertheless, it is the examination of this relationship that has led to the current state of the subject being categorized into three dimensions: the view of generous dividend payment, dividend irrelevance and complete retention of corporate earnings (Miller & Modigliani, 1961).

Dividend payout policy of any organization depends on the expected cash inflows and can be defined as the percentage of amount distributed among shareholders out of profit. Dividends are normally paid either in form of cash or stock dividend that might be stock of other company as well, which is subsidiary of parent company announcing dividend (Hashemijoo, Ardekani, & Younesi, 2012).

In general, investors will not invest in a company, which does not have fair dividend policy or will definitely divest from such. This could clarify why firms adhere to certain dividend strategy and management tries to at-least maintain a constant amount of
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References


