

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

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ARABIA**

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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 mendapati 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.

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LIST OF ABBREVIATIONS

ROE	Return on Equity
ROA	Return on assets
CONC	Concentrated Ownership
DPR	Dividend Payout ratio
NEMA	Middle East and North African
KSA	Kingdom of Saudi Arabia
WTO	World Trade Organization
FDI	Foreign Direct Investment
SSE	Saudi Stock Exchange
OLS	Ordinary Least Squares
MNG	Managerial ownership
IND	Individual ownership
FORG	Foreign ownership

MarketPow	firm's market power
PROFIT	Profitability
FSIZE	Firm Size
VIF	Variance Inflation Factor

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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