OWNERSHIP STRUCTURE AND DIVIDEND POLICY: EVIDENCE FROM SOUTH ASIA

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ABSTRACT

Cash dividend is among the most important sources of cash flow for the shareholders through which they gauge firm's performance. Corporate managers also use dividends to signal company's financial strength to attract potential investors. Empirical findings on determinants of dividend policy provide mixed and inconclusive results which has made the whole issue a "puzzle" as described by Black (1976), whose pieces do not fit together. Allen et. al. (2000) argued the dividend problem as one of the thorniest puzzles in corporate finance. The present study investigates the relationship between managers' ownership and dividend policy in emerging economies of South Asia. The data of listed non-financial companies is collected from Bangladesh, India, Pakistan and Sri Lanka and analyzed with least square and Tobit regression models during the period 2006-2010. It is found that managers' ownership is significantly and positively related with dividend payout in Bangladesh and India but negatively related in Pakistan and Sri Lanka.

Keywords: *Dividend payout, dividend intensity, managers' ownership, Tobit regression, South Asia*

Introduction

Cash dividends are among the most important source of cash flow for the shareholders through which they gauge firm's performance. Corporate managers use dividends to signal company's financial strength to attract potential investors. It is among the key return variables through which corporate value is determined by the investors. According to Graham and Dodd (1934) payment of dividend is the sole objective of existence of a corporation. Empirical findings on determinants of dividend policy provide mixed and inconclusive results which has made the whole issue a "puzzle" as described by Black (1976), whose pieces do not fit together. Allen et. al. (2000) argued the dividend problem as one of the thorniest puzzles in corporate finance. Likewise, Frankfurter et al (2002) called dividend puzzle as one of the most challenging topics of modern financial economics, which has not been resolved despite forty years of extensive research. According to Brealey and Myers (2002) dividend policy is among top ten unresolved puzzles in financial research. Present study attempts to contribute to the ongoing debate on determinants of dividend policy by providing an evidence form emerging economies of South Asia.

The unique corporate character of South Asian economics is the concentrated family ownership. Although owners (shareholders) are not directly involved in the routine operations of business but they appoint managers to take decisions on behalf of owners. Owners provide facilities to managers according to their demands so that they can work in the best interest of owners and if managers fail to fulfill the needs and requirements of owners, the owners have the power to fire and replace the management of company with more suitable people. In reality owners are not fully informed about each and every detail of business transactions because there is a gap of information between managers and owners. The problem which arises as a result of separation of ownership and control and information gap is known as agency problem. Being the holder and possessor of company resources, managers can misuse their powers to get private benefits of control. Rozef, (1982) argued that dividend can mitigate this problem by reducing excess cash under managers control. The frequent payment of high dividends forces managers to face strict scrutiny by external capital market at the time of acquiring funds from outsiders to meet credit needs. This means that dividend is a tool used by owners to avoid the agency problem in case where the conflict of interest between managers and owners is high. But what if the interest of owners and managers get aligned? If the ownership of manager's increase in company, would owners still feel the need to get more dividends? Jensen and Mechling (1976) argued that if managers increase their ownership in the firm (Which is the case in most of South Asian companies) the agency cost may be reduced and such case dividend, as a method to mitigate agency risk, would be having a limited role.

Several researchers studied the effect of ownership structure on corporate dividend policy (see for example: Shleifer and Vishny, 1986; Zeckhauser & Pound, 1990; Jensen et al, 1992; Ali et al, 1993; Agrawal & Jayaraman, 1994; Chen & Steiner, 1999) but the emerging economics of South Asia remained neglected . The present study attempted to fill this gap by providing evidence from emerging economies of South Asia.

Rest of the paper is organized as follows. Section 2 provides review of relevant literature, researcher methodology is discussed in section 3 and results are discussed in section 4. Section 5 concludes the discussion.

Literature Review

Existing financial literature provides both theoretical justifications and empirical findings on corporate payout policy. For more than six decades researchers are putting efforts to explore the issue related to determinants of payouts but yet there is no consensus on the results. During the last five decades, the discussion and debate on the issue of dividend policy has turned in to gigantic literature. A detailed scrutiny of existing literature on dividend policy reveals three distinct schools of thoughts regarding the effect of dividend payout on firm value. Some researchers argue that dividend has a positive effect on firm value, while some other argued a negative affect and still many others believe that dividend policy does not matter at all. Miller and Modigliani (1961) presented the world famous irrelevance proposition of dividend. Assuming a situation of perfect capital market they proved that it is irrelevant for the value of firm whether it pays the dividend or not.

Trang (2012) investigated the determinants of dividend policy of 116 listed companies of Hchiminh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX), Viet Nam. Using cross sectional data of 2009, he identified that in listed companies of Viet Nam, profitability is positively and business risk is negatively related with dividend payout. However, no relationship of ownership concentration, debt level, industry type and growth opportunities with dividend policy was observed from estimated results.

Ariyoto (2013) argued that the firm's payout policy is the result of several factors which may vary from time to time and industry to industry. He investigated the agency problem measured by family ownership, cash funds and the level of diversification, and its role in deciding dividend policy of companies in Indonesia during 2002-2010. He found that growth, size, profitability along with macroeconomic variables determine the dividend policy of Indonesian companies.

Alagathurai (2013) analyzed the corporate governance and dividend policy in listed hotel and restaurant companies of Sri Lanka. Based on the data of 17 companies listed on Colombo Stock Exchange during 2008-2012 the estimated results showed that CEO duality has a negative relationship with dividend policy while the board size and independence, debt and profitability do not have significant relation with dividend policy. Ajanthan (2013) also investigated the role of profitability in determining dividend payouts in listed companies of Sri Lanka and found a positive relationship.

Gunathilaka and Gunaratne (2009) investigated the impact of ownership structure on dividend policy using the data of 101 companies listed at Colombo Stock Exchange during 2001-2005. They divide ownership structure in institutional, other corporate and managerial ownership. By applying full adjustment model and earning trend model on panel data they argued that managerial and institutional ownership has a significant positive relationship with dividend policy, while profitability is negatively related to the probability of paying dividends. A significant relationship of past dividends with current dividends was also observed in Sri Lanka.

Zaman (2013) investigated determinants of dividend policy in 30 listed banking companies of Dhaka Stock Exchange during 2006-2012. He analyzed the impact of profitability, size and growth on dividend payout of banking companies using multiple regression and correlations. He found that only profitability is the most powerful determinants of dividend policy in Bangladesh. The result of this study was in line with the previous study conducted by Sheikh (2012) on banking companies of Bangladesh.

Thanatewee (2013) investigated the relationship between ownership structure and dividend policy in Thailand. He collected the data comprising 1,927 firm year observations for the period 2002 to 2010. The estimated results showed concentrated ownership is significantly and positively related with dividend policy. The study argued that companies having large block holders are expected to pay high dividends. Moreover, institutional ownership is positively while individuals' ownership is negatively related with the likelihood of dividend payouts.

It is evident from existing empirical studies that corporate dividend policy should not be analyzed in isolation and cross country evidences provide better opportunity to analyze reasons behind diverse dividend policies adopted by different companies operation in different parts of world. Therefore, present study attempted to investigate that how changes in ownership structure affects the corporate payouts in emerging economies of South Asia.

Research Methodology

The data for the present study is collected from published annual reports of non-financial companies for the period from 2006 to 2010. Data of 90listed companies of Karachi Stock Exchange (KSE) Pakistan, 110 companies of Bombay Stock Exchange (BSE) India, 45 companies of Dhaka Stock Exchange (DSE) Bangladesh and 40 companies of Colombo Stock Exchange (CSE) Sri Lanka has been collected from published annual reports. Given below is the research model used to analyze the impact of ownership variables on dividend payout policy of South Asian companies

$$Y_{it} = \propto_{it} + \beta_1 DIR_{it} + \beta_2 SZ_{it} + \beta_3 LVG_{it} + \beta_4 PRFT_{it} + \varepsilon_{it} \text{------------------------------Eq 01}$$

All variables used in equation 01 and their expected relationship with dividend policy have been summarized in Table 1.

The dependent variable of the study is dividend policy which is measured through dividend payout of the company in a given year. Many researchers have used this proxy of dividend payouts (See for example Reddy and Rath, 2005; Papadopoulos, 2007; Al-Malkawi, 2007; Attiya and Ahmed, 2009 etc.). The study has also used dividend intensity as alternate way to capture corporate dividend policy. As compared to dividend payout ratio, dividend intensity is not affected by earning management strategies of corporate managers and also it does not assume negative value in any case. The potential difficulty arises in case of negative dividend payouts i.e. negative payout is a result of loss (negative earnings) reported by company. If in such situation company is paying dividend the dividend payout ratio would be a negative figure, which is not justifiable as company can either pay a dividend or does not pay it at all, but in any case, company cannot pay a negative dividend. Negative dividend can be explained with the help of a situation where due to operating loss in any financial year the share price of the company declines, commonly known as capital loss, due to this decline in share price the real looser is the investor/shareholder and that is why in case of bad performance by company, the shareholders can get negative dividends (capital loss). But this situation is totally different from a situation of negative dividend payout value.

In the light of study of Kumar (2006) the present study has calculated dividend intensity by dividing total cash dividend paid by company to book value of assets of that company, Fama and French (2001) and Aivazian et al. (2003) have used dividend intensity as a proxy of dividend policy. Following Rozeff, (1982); Jensen et al., (1992) and Afza and Mirza (2010), the present study measured the extent of managerial ownership by considering the percentage of shares held by the board of directors (BOD) and executive officers. Study has also used size, leverage and profitability of firms as control variables suggested by Fama and French (2001) and Li and Zhao, (2007). For estimation of results ordinary least square regression is used. However, due to the nature of proxies of dividend policy i.e. from lower side the payout limits to zero, Tobit model is used

Statistical Analysis

Table 2 presents the descriptive analysis of firms level variables used for analyzing the determinants of dividend payout policy. The main purpose of descriptive statistics is to study the nature and underline dimensions of the data collected for analysis. The table 2 is divided in 4 parts i.e upper right (for India), upper left (for Bangladesh), lower right (for Sri Lanka) and lower left quadrant (for Pakistan).

The first three variables of the upper left part of Table 2 present the descriptive statistics of proxies of dividend payout policy in Bangladesh. The average DPO is 0.361 of earnings in sample companies of Bangladesh which is closer to the average payout reported by Farooqueet. al. (2007)in their study on dividends payouts in 660 Bangladeshi companies. Maximum payout equals to 10.417 which seems quite high for the sample. According to study conducted by Hamid (2003) Fuel and Power sector has the highest average dividend of 33%. Many of the companies having excessively high dividends were trimmed from the data, for instance Meghna Cement Company had a dividend equal to 112.108% of earnings. The median value of dividend payout for Bangladesh is 0.083 which lowers than Indian 0.193 and Sri Lankan 0.172 median dividend payouts. Maximum dividend payout has been observed in Sri Lankan company ACL Plastics Company in which earning per share remained 0.04.

In terms of dividend intensity, the highest average value of DINT has been observed in Bangladeshi sample companies. i.e. 0.047 followed by India and Pakistan. Dividend intensity is the ratio between dividend paid by the company and the value of its total assets in that year. It is therefore, the measure of relative size of its dividend payment as compared to the size of firm. However, from extremely high value of maximum dividend in Bangladeshi sample companies, it seems that the data from Bangladesh has been affected by outliers even after trimming the data with 1% for outliers. Such extreme values left after trimming cannot be deleted and if the sample is sufficiently large, this outlier would have a negligible effect on the results. As compared to both dividend payout and dividend yield the dividend intensity is not widely used proxy of dividend policy. Very few researchers (see for example; Kumar, 2006; Fama and French, 2002; and Aivazian et al., 2003) have used dividend intensity of the firm in empirical analysis of dividend payout policy of companies.

Among the firm level determinants of dividend payout policy, first is ownership by directors and managers. Highest average value of shareholdings by directors and managers was observed in India which is equal to 53.89% of total shares issued by firm. Jiaet.

al. (2009) in their recent study on ownership structure has reported average of 47.10% of total shares held by directors of firms. Ownership structure in South Asian countries is very different from Anglo Saxon countries like US and UK. Especially in India and Pakistan, large shareholders, including directors and institutions have big opportunity and ability to control the affairs of business. Zou and Adams (2008) argued that ownership structure can very much affect corporate strategies and influence how management are monitored and compensated in order to reduce agency incentive conflict in firm. From descriptive data given in table 2 it is clear that in South Asian firms directors have major shareholdings, therefore, it is expected that management have more control on the funds than any other shareholder of the firm. One of the major decisions taken by management is to pay dividend and in a situation where directors who are also the corporate managers reduce cash dividend payment to get private benefit of control. However, we cannot conclude it unless we analyze the results from regression in detail.

Correlation Analysis

The purpose of correlation analysis is to check the association between firm level factors and dividend policy. Secondly, it is also meant to detect multicolinearity in the data. Table 3presents the correlation analysis of firm's level variable of the study for Bangladesh, India, Pakistan and Sri Lanka. The table 3 is subdivided into two panel i.e A and B. Panel A (shaded area of table) shows the correlation between dependent variables and independent variables while panel B (un-shaded right hand side of table) presents the correlation among dependent variables. In panel A of table 3 the correlation between dependent and independent variables has been presented. As hypothesized, DIR is found to have negative correlation with dividend payout and dividend intensity in Pakistan and Sri Lanka, but in Bangladesh and India they are positively correlated. The negative correlation between DIR and dividend proxy in Pakistan is in line with the existing empirical evidences reported by Afza and Mirza (2010). In India and Sri Lanka DIR is positively correlated with the proxies of dividend payouts policy.

Alternate proxy of dividend policy i.e DINT also confirms the negative correlation of shares held by directors, managers with dividends. Panel B of Table 3 presents the correlation between explanatory variables. The highest value of correlation among explanatory variables is around 0.50 which shows that results are not affected by multicolinearity.

Regression Analysis

All research models have been analyzed using two estimation techniques i.e. ordinary least square (OLS) and Tobit regression model. Table 4 presents the first regression analysis using dividend payout and dividend intensity as dependent variables and ownership by managers as independent variable using OLS method. Each model is investigated with and without control variables i.e. size, leverage and profitability. Several researchers (see for instance: Wiberg, 2008; Afza and Mirza, 2010; Huda and Muhammad, 2013) emphasized the importance of ownership structure in determining dividend payout of company.

The estimated results of ownership model in Bangladesh showed that a unit increase in managerial ownership significantly (P-value < 1%) increases the dividend payout and dividend intensity of listed companies. In most of the listed companies of Bangladesh, majority shares are held by families. For example, Faroqueet. al. (2007) argued that Bangladeshi companies mainly comprise of small and medium size firms and ownership is concentrated. Huda and Muhammad (2013) argued that due to effective monitoring of institutional owners the managers' ability to expropriate the right of minority shareholders significantly reduces. This is the main reason due to which companies where managerial ownership is high, the companies pay more dividends.

The estimated results from ownership model of India suggest the dividend payout is significantly and positive related with managerial ownership. The relationship is significant (P-value <1%) with both dividend payout and dividend intensity when estimated with control variables. The positive relationship of DIR is in line with Kumar (2006) who argued that the companies where insiders have more ownership pay more dividends. Manos (2001) reported significantly positive relationship between directors' ownership and dividend payout which confirms the results of present study. Kumar (2006) reported that Indian corporations are characterized by large shareholders. These large shareholders have incentives to control key decisions especially like dividend payouts. However, insiders do not reduce dividend because the Indian companies have substantial ownership by institutions and foreign investors and to attract their investments corporate managers pay high dividends.

The estimated result of ownership model in Pakistan shows a significantly negative relationship of ownership by managers with dividend policy. The negative relationship of manager's ownership with payout in Pakistan is the reason of comparatively weak governance system, where minority shareholders do not have right to appoint director of company. Pakistani companies are characterized by low dependence on external financial market and equity investments by shareholders, but it depends on large inside investors and financial institutions whose ownership is high in the company. In this case, minority investors face the risk of expropriation of their rights by controlling shareholders (Javaid and Robina, 2010; Afza and Mirza, 2010; Ullah et al, 2012). Majority of Pakistani companies have concentrated family ownership, this type of ownership provides an opportunity for controlling shareholders to expropriate wealth from minority shareholders (Shleifer and Vishny, 1997).

Last section of Table 4 presents estimated results of ownership model in Sri Lanka. The relationship of DIR with dividend policy is significantly negative. Based on the estimated results the study argues that in Sri Lanka the managerial ownership has a negative relationship with dividend payouts and corporate managers try to control funds by reducing dividends. To the best authors knowledge Gunathilaka and Gunaratne (2009) is the only study on the relationship of ownership structure and dividend policy in Sri Lanka. The estimated results of Table 4contradicts with Gunathilaka and Gunaratne (2009) who showed that managerial ownership is significantly positively related with dividend payouts. However, Srinaratne (2010) argued that most of Sri Lankan companies have high degree of ownership concentration with the presence of a controlling shareholder which have tendency to expropriate rights of minority shareholders (Samarakoon, 1999; Senaratne and Gunaratne, 2007). The nature of the agency problems faced by Sri Lankan companies not only due to conflict of interest between owners and managers but between controlling owners and minority owners (Senaratne and Gunaratne, 2007). In the light of above arguments the negative relationship between managerial ownership and dividend policy shows that critical governance issue of Sri Lankan companies is the minority rights protection from the controlling shareholders' opportunism.

Table 5 presents the re-estimation of relationship between ownership structure and dividend policy. The results confirm the finding in Table 4 using Tobit regression model. The estimated results from Tobit model are insignificant in Bangladesh and Sri Lanka. Using the Tobit estimation it is found that ownership by managers is has a significantly positive relationship with dividend policy in India and negatively related in Pakistan.

Table 1: Variables of the study

Variable	Symbol	Variable description	Expected relation
Dependent Variables (Y)			
Dividend payout	DPO	Dividend per share / Net Earnings per share	
Dividend Intensity	DINT	Total Cash Dividend/Total Asset Value	
Independent Variables			
Managerial Ownership	DIR	% of shares held by Directors and Executives	Negative (-)
Size	SZ	Natural Log of Assets	Positive (+)
Leverage	LVG	Total Liabilities / Total Assets	Negative (-)
Profitability	PRFT	Earnings Per Share	Positive (+)

Table 2: Descriptive Analysis

	Bangladesh					India				
	Mean	**Median**	**Max**	**Min**	**St.Dev**	**Mean**	**Median**	**Max**	**Min**	**St.Dev**
DPO	0.361	0.083	10.417	-1.027	1.099	0.223	0.193	9.258	-0.350	1.181
DINT	0.471	0.015	14.246	0.000	2.172	0.027	0.014	0.289	0.000	0.047
DIR	25.481	19.289	82.960	0.000	24.914	53.893	49.960	84.900	28.270	13.011
SZ	21.854	21.841	24.868	18.756	1.500	6.134	6.156	9.326	-0.916	1.749
LVG	0.583	0.446	0.973	0.057	0.770	0.802	0.120	1.340	0.030	1.789
PRFT	43.247	16.580	471.060	-153.000	88.798	15.284	6.980	122.350	-3.760	21.580
	Pakistan					**Sri Lanka**				
	Mean	**Median**	**Max**	**Min**	**St.Dev**	**Mean**	**Median**	**Max**	**Min**	**St.Dev**
DPO	0.260	0.051	9.118	-7.885	0.797	0.539	0.172	18.750	-0.251	2.084
DINT	0.030	0.002	1.964	0.000	0.098	0.019	0.006	0.150	0.000	0.030
DIR	14.482	0.000	90.700	0.000	23.900	13.942	4.570	42.010	0.001	15.465
SZ	21.997	21.977	25.262	19.120	1.322	20.384	20.485	23.749	16.761	1.850
LVG	0.636	0.631	0.943	0.031	0.343	0.361	0.381	0.975	0.002	0.230
PRFT	9.462	4.500	203.500	-287.200	29.531	10.260	5.870	105.000	-129.000	24.754

Table 3: Correlation Analysis

	Panel A		Panel B		
	Bangladesh				
	DPO	**DINT**	**DIR**	**SZ**	**LVRG**
DIR	0.120	0.151	1.000		
SZ	-0.154	-0.096	-0.519	1.000	
LVG	-0.024	-0.072	-0.168	-0.028	1.000
EPS	0.054	0.054	0.011	0.147	-0.059
	India				
	DPO	**DINT**	**DIR**	**SZ**	**LVRG**
DIR	0.183	0.077	1.000		
SZ	0.204	0.086	-0.252	1.000	
LVG	-0.243	-0.091	0.169	0.018	1.000
EPS	0.093	0.335	-0.083	0.303	-0.222
	Pakistan				
	DPO	**DINT**	**DIR**	**SZ**	**LVRG**
DIR	-0.038	-0.143	1.000		
SZ	0.048	0.025	-0.115	1.000	
LVG	-0.113	-0.149	0.012	-0.195	1.000
EPS	0.138	0.256	-0.115	0.176	-0.190
	Sri Lanka				
	DPO	**DINT**	**DIR**	**SZ**	**LVRG**
DIR	-0.066	-0.083	1.000		
SZ	0.079	0.363	-0.373	1.000	
LVG	0.061	-0.292	0.408	-0.020	1.000
EPS	-0.058	0.141	0.134	-0.120	-0.031

Table 4: Regression Analysis

	[----------Bangladesh------------]				[-------------India---------------]				[----------Pakistan----------]				[----------Sri Lanka-----------]			
DV	**DPO**		**DINT**		**DPO**		**DINT**		**DPO**		**DINT**		**DPO**		**DINT**	
Constant	1.762 [2.733] (0.009)	-0.501 [-0.715] (0.478)	-0.033 [-0.191] (0.849)	0.060 [0.055] (0.957)	8.340 [1.339] (0.183)	-19.291 [-1.863] (0.065)	-0.015 [-1.071] (0.286)	-0.057 [-2.483] (0.014)	0.382 [7.227] (0.000)	0.533 [1.741] (0.082)	0.057 [7.976] (.000)	0.137 [3.381] (.001)	0.331 [4.471] (0.000)	-0.051 [-0.143] (0.887)	0.028 [-1.995] (0.000)	0.117 [-4.733] (0.000)
DIR	0.005 [2.831] (0.007)	0.005 [2.961] (0.005)	.007 [2.918] (.006)	.006 [2.283] (.028)	0.264 [2.270] (0.024)	0.501 [4.123] (0.000)	0.001 [2.924] (0.004)	0.001 [4.662] (0.000)	-0.300 [-2.034] (0.037)	-0.173 [-2.082] (0.033)	-.090 [-4.488] (.000)	-.075 [-3.564] (.000)	-0.004 [-1.436] (0.154)	-0.578 [-1.941] (0.050)	0.004 [-1.995] (0.049)	-0.037 [-1.992] (0.048)
SZ	--- --- ---	0.022 [0.932] (0.357)	--- --- ---	.019 [.437] (.664)	--- --- ---	3.432 [3.237] (0.002)	--- --- ---	0.004 [1.804] (0.073)	--- --- ---	-0.014 [-0.190] (0.850)	--- --- ---	-.021 [-2.157] (.032)	--- --- ---	0.032 [1.992] (0.051)	--- --- ---	0.007 [6.540] (0.000)
LVG	--- --- ---	-0.395 -[0.212] (0.069)	--- --- ---	-.712 [-2.222] (.032)	--- --- ---	-3.582 [-3.879] (0.000)	--- --- ---	-0.009 [-4.285] (0.000)	--- --- ---	-0.494 [-2.551] (0.019)	--- --- ---	-.033 [-1.275] (.203)	--- --- ---	-0.511 [-4.002] (0.000)	--- --- ---	-0.027 [-3.153] (0.002)
PRFT	--- --- ---	0.000 [0.185] (0.854)	--- --- ---	-.001 [-1.188] (.242)	--- --- ---	-0.032 [-0.406] (0.685)	--- --- ---	0.000 [1.166] (0.246)	--- --- ---	0.004 [2.449] (0.012)	--- --- ---	.001 [5.519] (.000)	--- --- ---	0.004 [0.259] (0.796)	--- --- ---	.001 [6.514] (0.000)
R^2	0.134	0181	.353	.490	0.034	0.186	0.055	0.223	0.009	0.037	0.043	0.127	0.018	0.299	0.034	0.546
Adj R^2	0.117	0.110	.309	.410	0.027	0.162	0.048	0.201	0.007	0.026	0.041	0.119	0.009	0.268	0.026	0.525
F-STAT	4.933	2.292	7.994	6.096	7.516	8.506	8.352	8.357	3.030	3.324	15.383	14.652	5.549	11.456	3.232	4.767
Sig- F	0.005	0.003	.000	.000	0.000	0.000	0.000	0.000	0.049	0.006	0.000	0.000	0.040	0.000	0.065	0.032

Dependent variable: Dividend payout (DPO); dividend intensity (DINT). Explanatory Variables: Ownership of directors and executives (DIR); size (SZ); leverage (LVG); profitability (PRFT). Ordinary least square Estimation technique is used.

Table 5: Tobit Regression

	Bangladesh	**India**	**Pakistan**	**Sri Lanka**
Constant	33.991 [0.80] (0.428)	-57.14 [-3.41] (0.001)	1.237 [2.48] (0.013)	-11.525 [-1.18] (0.247)
DIR	.134 [1.27] (0.208)	.695 [4.47] (0.000)	-.767 [-2.81] (0.005)	-.069 [-1.14] (0.265)
SZ	-1.846 [-1.00] (0.321)	6.695 [4.57] (0.000)	-.138 [-1.16] (0.246)	.437 [0.97] (0.340)
LVG	-1.039 [-0.40] (0.688)	-5.782 [-4.08] (0.000)	-1.145 [-3.58] (0.000)	19.343 [2.29] (0.030)
PRFT	.0174 [0.37] (0.714)	.0100 [0.11] (0.914)	.0122 [4.36] (0.000)	.001 [0.04] (0.965)
Pseudo R2	0.0186	0.0380	0.0704	0.0616
Log Likelihood	-186.8	-521.5	-483.1	-60.63
LR Chi2(5)	7.08	41.15	73.16	7.96
P-Value Chi2	0.2147	0.0000	0.0000	0.1585

Dependent variable: Dividend intensity (DPO). Explanatory Variables: Ownership of directors and executives (DIR); size (SZ); leverage (LVG); profitability (PRFT). Tobit Estimation technique is used.

Conclusion

Present study attempted to investigate the relationship between ownership structure and dividend payouts in emerging economies of South Asia. The data of listed companies of Bangladesh, India, Pakistan and Sri Lanka was collected from published annual reports of companies for the period 2006-2010 and estimated using least square and Tobit models. The estimated results showed that managerial ownership is positively related with dividend policy in Bangladesh and India while negatively related in Pakistan and Sri Lanka. The study argued that negative relationship of managerial ownership is due to weak corporate governance structure and low investors protection level in the country. In the light of estimated results it is recommended that corporate law authorities must focus on weak implementation of standard corporate governance regulations in the region and strong measure must be taken to empower the minority shareholders so that controlling shareholders would not be able to expropriate their rights.

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