

## Examining the Determinants of Dividend Payouts For Egyptian Listed Companies

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### Abstract

The dividend decision has a significant influence on investment and financing decisions. Therefore, this research aims at examining the determinants of dividend payouts for Egyptian listed companies. Based on the literature four determinants are chosen as independent variables for dividend payouts. Where Methodology was A 51 Egyptian listed companies on the Egyptian stock exchange. companies were the sample size of this research. To examine the determinates namely, profitability, liquidity, financial leverage, and company size a multiple regression is used to test the relationship between these four independent variables and the dividend payout. the results reveal that profitability, liquidity, and company size have a significant relationship with dividend payout. On the other hand, financial leverage has an insignificant relationship with dividend payout.

**Keywords:** Dividend, Dividend payout, Determinants, Non-financial company, Egypt

### 1. Introduction

When companies make profits, managers have different choices concerning using these profits. They may purchase assets or allocate dividends to shareholders. (Aigbovo & Evbayiro-Osagie, 2022) Dividend can be defined as “a pro rata distribution among the company’s shareholders that is declared by the board of directors of the company” (King’wara, 2015). Dividend payout is the amount of dividend that is paid to shareholders of a company. (Aigbovo & Evbayiro-Osagie, 2022). There are different types of dividends; cash dividends; share dividends in the form of company’s shares and property dividends in the form of assets of the issuing company. (Hellström & Inagambaev, 2012). The companies may allocate dividends for a number of reasons; such as enhancing shareholders’ trust of the company’s financial strength,

attracting new investors and increasing the company's share price. (Gill, Biger, & Tibrewala, 2010).

"The harder we look at the dividends picture, the more it seems like a puzzle, with pieces that just do not fit together." (Black, 1976). Since companies repay to shareholder's large amount of their profits through dividend payments it is essential to allow them to be familiar with the dividend payout policy. (Aigbovo & Evbayiro-Osagie, 2022). The dividend policy decides the amounts of profit to be retained or distributed to shareholders, (Fitri, Hosen, & Muhari, 2016) and when the dividends will be paid out, either quarterly, semiannually or annually. Therefore, the company's dividend policy has its influence on company's long-term financing and shareholders' wealth (Pandey, 2010).

There are three basic dividends payout policy is the first type is the constant payout policy which is a fixed percentage of income paid each dividend period to the shareholders. However, this policy has a problem in the case of income reduction happens in any period either reducing the dividends or even nonexistent. The second payout type is the regular dividends policy; this policy is mainly based on a constant amount of dividend payment in each period. The third policy is the low-regular-and-extra- dividend policy; under this policy firms pay a low regular dividend, in addition to an extra dividend amount in case of increasing income than normal in a given period (Sakr & Bedeir, 2020).

The concept of dividend policy encouraged researchers to conduct empirical studies to investigate the impact of dividend policy concerning dividends declaration (Gill, Biger, & Tibrewala, 2010). Several researches were conducted in developed countries to examine the determinants of dividend payout such as; in United States (Gill, Biger, & Tibrewala, 2010); (Kania & Bacon, 2005), in Poland (Kaźmierska-Jóźwiak, 2015), in Sweden (Ringborg & Dai, 2016). On the other hand, other researches were performed in developing countries such as in Turkey (Kisava & John, 2017), in India (Kumar, 2003), in Nigeria (Olantundun, 2000) and Kenya (King'wara, 2015).

The determinants of dividend payout are considered an important topic in corporate business and controversial issue in the literature. (Arshad, Waseem, & Abbas, 2022) Thus, there is need for more research to enhance knowledge about the determinates that may influence the dividend policy. Thus, this research aims at filling this gap, by examining the determinants of dividend payouts among listed non-financial companies in Egyptian stock exchange. This research could contribute literature as only a few researches are conducted in emerging stock markets, namely Egypt and it may provide a research move in this critical topic by answering the main research question: *What are the determinants of dividend payouts for listed non-financial companies in Egypt?*

## **2.Literature Review**

### **2.1 Dividends theories**

#### **2.1.1 Agency theory**

(Jensen, M. C.; Meckling, W. H., 1976) introduced the agency theory that postulates the agency relationship between the owners and agents. Managers may decide based on their own self-interest regardless of its value to owner. The agency costs are the payment cost for managers who work on the behalf of the owners and as the conflict between owners and managers increase this costs may increase. According to (Easterbrook, 1984); (Jensen, 1986); (Alli, Khan, & Ramirez, 1993) agency costs have a negative relationship with dividend payouts. It claims that corporate dividend policy is used by companies to reduce agency costs. Therefore, agency theory indicated that companies have to increase their dividends payments to decrease the agency costs.

#### **2.2.2 Signaling theory.**

This theory emphasizes the existence of the information asymmetry problem between shareholders and managers. The information asymmetry arises when managers have more access to companies' information more than their shareholders causing an informational gap. (Hellström & Inagambaev, 2012) stated that managers may use the change in dividends payment to convey information that may decrease the information asymmetry. Moreover, some researchers support that dividend payout ratio may not influence the share price however, it may influence the information asymmetry based on signaling theory (Bhattacharya, 1979), (John & Williams, 1985); Nuhu, 2014).

#### **2.2.3 Life Cycle theory**

(Mueller, 1972) has introduced the life cycle theory. The theory stated that companies have various stages throughout their lives and each stage has its dividend policy according to its financial need in each stage (Grullon, Roni, & Bhaskaran, 2002). (El-Ansary & Gomaa, 2012) clarified that based on life cycle theory there are three key factors influencing the payment of dividends namely; the company's size, investment opportunities and profitability. (DeAngelo, Linda, & Stulz, 2006) anticipated that developed companies with excessive retained earnings allocate high dividends and less investment opportunities. Conversely, undeveloped companies concentrate more on investment opportunities and growth.

#### **2.2.4 Free Cash Flow hypothesis**

This theory focuses on the residual funds after implementing all the positive net present value projects (Easterbrook, 1984); (Jensen, 1986). The free cash flow available for managers to invest in new projects will be inadequate in case of dividends payment. In addition, managers will invest the free cash flow in projects that may improve their own benefits. On the other hand, shareholders use dividends payment to decrease the free cash flow in companies and the chance for overinvestment.

#### **2.2.5 Transaction cost theory**

This theory states that companies depending on debt financing have an obligation to pay fixed interest that may reduce the amounts of dividends given to shareholders, (Higgins, 1972); (Fama, 1974). Moreover, (McDonald, Jacquillat, & Nussenbaum, 1975) pointed out that companies with large debts are at risk of paying back the principal and interest payments, which may reduce their dividend payments.

### 2.2.6 Bird in Hand theory

This theory was stated by Lintner (1956). This theory anticipated that investors may prefer cash dividends than retained earnings due to deficiency of information and market uncertainty. Therefore, the required rate of return will be decreased as a result of increasing the payout ratio. (Alli, Khan, & Ramirez, 1993) stated that investors prefer to invest in shares with distributed current cash dividend than shares with future dividends payments and retained earnings supporting the bird in hand theory.

### 2.3 Determinants of Dividends Payout:

Several factors have been considered as key determinants of the dividend policy in prior researches including company's maturity, profit, growth, agency cost and many more. Profitability is the most frequent determinates used amongst all researches. Moreover, dividend payment to investors influences the liquidity of the company. However, no agreement has been reached concerning the common determinants and findings across countries (Arshad, Waseem, & Abbas, 2022). Thus, the following are the most important determinates:

#### 2.3.1. Profitability

The company's profitability is a key benchmark to assess its performance. Profitability is defined as company's ability to make profits and increase investment return (Tulsian, 2014). The company's profitability is the amount considered in case of allocating dividends to its shareholders. (Ayman, 2015)

Several researches had emphasized the importance of profit and its relationship with companies' dividend policy such as; (Nissim & Ziv, 2001); (Al-Kuwari, 2009); (Adil, Zafar, & Yaseen, 2011); (Rehman & Takumi, 2012). They concluded a positive association between dividend payment and profitability. Likewise, (Leon & Putra, 2014) have showed that companies with steady profits can have enough money and pay more dividends. In addition, some researches Vasilios and Eriostis, (2003); (Howatt, Zuber, Gandar, & Lamb, 2009); (Ahmed & Javid, 2009) indicated that the company's current earnings influence the dividend payout ratio concluding that more dividend will be distributed in profitable companies than non-profitable companies.

On the other, other studies such as; (Amidu & Abor, 2006);(Anupam, 2012) indicated negative association between dividend payout and profitability as profitable companies prefer investing their profits than paying dividends. However, (Gill, Biger, & Tibrewala, 2010) revealed an insignificant association between profitability and dividend decisions.

The Signaling theory indicates that companies with greater dividends reveal useful information for investors that those companies have sustainable success. Furthermore, agency theory infers that the agency problems may be reduced through paying more dividends as a control over cash.

According to above theories and previous researches, the following hypothesis is proposed:

***H<sub>1</sub>: There is a substantial association between profitability and dividend payout for listed Egyptian companies.***

### **2.3.2 Liquidity**

The availability of cash has an impacts on the company's ability to pay shareholder's dividends. (Kisava & John, 2017) pointed out that the shortage of cash and deficiency in liquidity may affect paying dividends and fulfilling companies' financial needs. Demirgünes (2015) defined liquidity as "the company' cash quantity to meet its short term and immediate obligations, or assets that can be easily converted to do this" (p. 420).

Several researches have examined the effect of liquidity on company's dividend decisions and concluded that liquidity is definitely associated with dividend payments such as (Amidu & Abor, 2006); (Anil & Kapoor, 2008); (Afza & Mirza, 2010); (John & Muthusamy, 2010); (Thanatawee, 2013); (Mui & Mustapha, 2016); (Banerjee, 2017). Some researches (Ho, 2003); (Ahmed & Murtaza, 2015) pointed out that companies having more liquidity are less risky and have high probability of cash dividends payments.

Conversely, other researchers (Myers & Bacon, 2004); (Kania & Bacon, 2005); (Franklin & Muthusamy, 2010); (Komrattanapanya & Suntrauk, 2013); (Nuhu, 2014) have recognized a significant inverse relationship between liquidity and dividend payouts. (Ahmed & Javid, 2009) claim that increasing the dividend payout ratio will decrease the company's liquidity. However, some researches indicate an insignificant association between liquidity and dividends payout (Anil & Kapoor, 2008); (Anupam, 2012). The agency theory reinforced that high liquidity with more dividends payment may support reducing the agency costs. According to above researches and theories the following hypothesis is proposed:

***H<sub>2</sub>: There is substantial association between liquidity and dividend payout for listed Egyptian companies***

### **2.3.3 Financial Leverage**

Financial leverage is external resources controlled by the company to finance its operations, (Anupam, 2012). Agency theory indicated reducing the agency costs in case of existence of financial leverage can be achieved by increasing the dividend payments (Nuhu, 2014).

Diverse results were realized on the influence of the financial leverage on a company's dividend. Some researchers found a positive association between financial leverage and dividend payout such as (Myers & Bacon, 2004); (Rehman & Takumi, 2012); (Banerjee, 2017). (Myers & Bacon, 2004) in their research pointed out that well-known companies announce more dividends

to declare a robust financial reputation and easily access to external funds. Moreover, (Ahmed & Murtaza, 2015) reached a positive significant association between a company's financial leverage and dividend payout ratio for listed company in Thailand, Pakistan and Indonesia stock exchange. They clarify that leveraged companies with availability of cash flow may pay more dividends.

On the other hand, some researchers (Bradley, Capozza, & Seguin, 1998); (Kumar, 2003); (Hellström & Inagambaev, 2012) inferred inverse relationship between company's financial leverage and dividend payout. (Imran, 2011); (Rafique, 2012) stated that greatly leverage companies may retain their cash flow to fulfill their financial obligations other than paying dividends. Furthermore, some researchers (Ho, 2003); (Omar & Juhmani, 2009) concluded no association between the company's financial leverage and its dividend payments.

The agency theory asserts that high leveraged companies imply higher financial risks, thus companies will mitigate those financial risk by reducing the dividends payment and retaining the company's cash flow. Besides, (Gill, Biger, & Tibrewala, 2010) denoted that leveraged companies incurred high transaction costs. Hence, consistent with the transaction cost theory and to avoid the external financing costs those companies will pay less dividends

Accordingly, the following hypothesis is proposed:

***H<sub>3</sub>: There is inverse association between financial leverage and dividend payout for listed Egyptian companies***

#### **2.3.4 Company's size**

The size of company is one of the most commonly considered variable in influencing the company's dividend policy and its investment decisions. (Hellström & Inagambaev, 2012). Company size is defined as the amount of the company's sales or the company's book value size. (Vaidean & Moza, 2015). Several researchers (Aivazian & Booth, 2003); (Eriotis, 2005); (Denis & Osobov, 2008); (Al-Kuwari, 2009) reached a positive association between a company's size and dividend payments. (Kisava & John, 2017); (Ayman, 2015) pointed out that large companies are more profitable and can have the funds for more dividend payments than small companies.

Nevertheless, some researchers (Rehman & Takumi, 2012) in Pakistan and (Mui & Mustapha, 2016) in Tunisia reached different results concluding an inverse association between company's size and dividend payments as large companies invest more fund in growth rather than allocating dividends. Conversely, ); (Adil, Zafar, & Yaseen, 2011) pointed out that the company size has no impact on the company's dividend payments

Based on Life-Cycle theory, it claimed that large companies are likely to pay less dividends as it invests the fund rather than distributes dividends. Conversely, in large companies' dividends payment will decrease the agency costs as assumed by agency theory. Likewise, the transaction cost theory supports that large companies are expected to pay higher dividends.

Based on above researches and theories, the following hypothesis is proposed:

***H4: There is a substantial association between company's size and dividend payment for listed Egyptian companies.***

To sum up, several researches were performed to investigate the relationship between the dividend payout and its determinants in different countries. Contradictory findings were found with difference in significance. Therefore, this research aims to examine the impact of four variables namely profitability, liquidity, financial leverage and company's size with dividend payout.

### 3. Research Methodology:

#### 3.1 Sample and Data Collection

The research population include all Egyptian companies listed on the Egyptian stock exchange. However, (Koller, Goedhart, Wessels, & Copeland, 2010) denoted that the financial companies structure and regulations differ from non-financial companies which imply excluding them from sample. This research uses secondary data and cross sectional data for year 2016 to examine the determinants of the dividend payment for non-financial companies listed on Egyptian stock exchange.

Additionally, the research uses the available data of Thomson Reuters DataStream for non-financial companies from different sectors that have dividend paying strategy reaching a sample of 51 companies as shown in Table 1 Also, table (1) shows that the food and beverage industry have the largest number of companies.

**Table 1:** Sample Companies by industry

Sector	Number of companies	Percentage (%)
1- Food and Beverage	10	19.61%
2- Chemicals	6	11.76%
3- Real Estate	6	11.76%
4- Industrial goods and services and automobiles	5	9.80%
5- Healthcare and Pharmaceutical	5	9.80%
6- Retail	4	7.84%
7- Personal and Household products	4	7.84%
8- Basic Resources	3	5.88%
9- Travel and leisure	3	5.88%
10- Construction and Materials	2	3.92%
11- Technology and Telecommunications	2	3.92%
12- Oil and gas	1	1.96%
Total	51	100%

### 3.2 Variables identification and measurement

#### 3.2.1 Dividend Payout Ratio (dependent variable)

The research aims at answering which determinates may impact a company's dividend decisions, thus, it is vital to clarify how dividend policy is measured. (Labhane & Das, 2015)

pointed out that the most common dividend policy measures are dividend yield and dividend payout ratio. Dividend yield is the annual dividend paid per share divided by market price per share. Whereas, Dividend payout ratio is defined as the percentage of distributed income among ordinary shareholders. The two measures are based on dividend per share however, the earning per share is the for dividend payout ratio and the common stock market price is the denominator of the dividends yield. (Fraser, Ormiston, & Mukherjee, 2016). Although both measures are accurate each measure may achieve different results.

Several researches; (Amidu & Abor, 2006); (Uwuigbe, 2013); (Maldajian & El Khoury, 2014); (King'wara, 2015); (Hosain, 2016) adopt the dividend payout ratio as the dependent variable A number of reasons are supporting the dividend payout ratio, first, dividend yield do not consider the dividend paid associated with income. Second, it can be used in dividends estimation in the potential periods. Third, the dividend saved and paid are considered. (Rafique, 2012).

### **3.2.2 Independent variables:**

#### **3.2.2.1 Profitability:**

The company's profitability can be defined "as the level to which its activities can generate financial gain" (Niresh & Thirunavukkarasu, 2014). Profit margin, return on equity, return on assets and return on capital employed are considered different measures of profitability. Complying with some researches (Vaidean & Moza, 2015); (Fitri, Hosen, & Muhari, 2016) this research adopts Return on assets (ROA) ratio as a measure of profitability as it is deemed an effective company's performance evaluation (Labhane & Das, 2015).

#### **3.2.2.2 Liquidity:**

The company's liquidity is measured by the amount the company's assets can be quickly bought or sold in the market, (Kisava & John, 2017). Several ratios have been used to represent the liquidity such as; Current ratio, Cash ratio and Quick ratio. This research uses the current ratio as it represents how company handle the risks of short term liquidity similar to some researches such as (Ahmed & Murtaza, 2015); (Labhane & Das, 2015); (Banerjee, 2017).

#### **3.2.2.3 Financial leverage:**

The financial leverage is the debt amount that a company uses to finance some activities or to purchase additional assets (Demirgüneş, 2015). The financial leverage can be measured with different ratios such as; Debt to Equity ratio, Total debt ratio and Interest coverage. This research adopts Debt to equity ratio as a measure of financial leverage consistent with some researches such as (Uwuigbe, 2013); (Mui & Mustapha, 2016); (Khan & Ahmad, 2017)

#### **3.2.2.4 Company size:**

The company size can be measured either by natural logarithm of the company's total assets or the market capitalization. This research uses the natural logarithm of total assets as a measure of the company size according to some researches such as (Musiega, Alala, Douglas, Christopher, & Robert, 2013); (Ringborg & Dai, 2016); (Khan & Ahmad, 2017).



### 3.4 Research Model:

This research uses multiple linear regression to measure the impact of the profitability, liquidity, financial leverage and company size on dividend payout as shown in the following model

$$Y_i = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \varepsilon_i$$

where:

$\beta_0$  represents the intercept of the regression equation "Constant"

$\beta_1, \beta_2, \beta_3$  and  $\beta_4$  represents the Coefficients

$x_1$  represents the company's profitability

$x_2$  represents the company's liquidity

$x_3$  represents the company's financial leverage

$x_4$  represents the company's size

$\varepsilon_i$  represents error

**Table 2:** Research variable's measure, definition, and symbol

Variable	Measure	Determination	Symbol
Dividend policy (Y)	Dividend payout ratio	Cash dividend / Net income	DPR
Profitability ( $x_1$ )	Return on Assets	Net income / Total assets	PROF
Liquidity ( $x_2$ )	Current ratio	Current assets / Current liabilities	LIQD
Financial leverage ( $x_3$ )	Debt to Equity ratio	Total debt / Total Equity	LVRG
Company size ( $x_4$ )	Natural Logarithm of total assets	Natural Log of TA	SIZE

## 4. Results and discussion

### 4.1 Descriptive analysis:

The normality test has been performed for both models and indicated that all the variables values data are normally distributed within the acceptable range.

The descriptive analysis for the 51 companies the research sample are revealed in Table (3) that shows a high mean value 4.17 for the dividend payout ratio. This indicate that the majority of the non-financial Egyptian companies are capable of giving dividends to shareholders. The maximum payout ratio for the companies is 98.45%, however, the minimum value is -1.44%. The negative sign indicates that some companies are not able to pay dividends. Moreover, the standard deviation of dividend payout is 18.29 revealed that the values of Egyptian company's payout ratios are away from the mean.

**Table 3:** Descriptive Statistics (Dependent variable)

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend	51	-1.44	.98.45	4.17	18.29

Payout Ratio					
Profitability	51	.00	0 .56	0.123	.1144
Liquidity	51	0.18	8.27	1.537	1.6052
Leverage	51	.00	3.12	0.515	0.6233
Company Size	51	7.91	10.78	9.021	0.6807

Moreover, Table (3) reveals that mean value is 0.123, maximum value for companies' profitability is 0.56 and the minimum value is zero. While a mean value for liquidity is 1.54, the maximum value is 8.27 and the minimum value is 0.18. Thus, indicating the ability of companies' current assets to cover their current liabilities. Furthermore, the mean value of debt to equity ratio is 0.514, a maximum value 3.12 and a minimum value zero. Finally, the companies size has a mean value of 9.02.

**Table 4:** Correlations Matrix between dependent and independent variables

	Dividend Payout Ratio	Profitability	Liquidity	Leverage	Company Size
Dividend Payout Ratio	1				
Profitability	-.212	1			
Liquidity	.368**	.210	1		
Leverage	.102	-.275	-.278*	1	
Company Size	-.309*	-.123	-.190	.186	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
\* . Correlation is significant at the 0.05 level (2-tailed).

Table (4) represents the correlation matrix between the dependent variable which is the dividend payout ratio and the four independent variables. The correlation matrix shows a significant positive relationship between the dividend payout ratio and company's liquidity of 36.8% at 0.01 level of significance. In addition, a significant negative relationship between the dividend payout ratio and company's size of -30.9% at 0.05 level of significance. Both significant relations are considered weak relationships as their values are less than 80%. Conversely, the dividend payout ratio has an insignificant negative relationship with company's profitability at -21.2% and insignificant positive relationship with company's financial leverage at 10.2%.

Another method to deduct the multicollinearity is the variance inflation factor (VIF). According to (Vaidean & Moza, 2015) assumption that if VIF is higher than 10 and tolerance value is close to zero, so there is a multicollinearity problem occurs. Table (5) shows that the independent variables VIF values are below 10 and their tolerance values are not close to 0, this means that the model's independent variables are not correlated with each other.

**Table 5: Collinearity Statistics**

Model		Collinearity Statistics	
		Tolerance	VIF
1	Profitability	.902	1.109
	Liquidity	.886	1.128
	Leverage	.860	1.163
	Company Size	.942	1.062

To test the relationship between the dividend payout ratio and the research independent variables for the Egyptian non-financial companies, a regression model is built and the results are shown in table (6)

**Table 6: Model 1 Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	72.03	30.725		2.344	.023		
	Profitability	<b>-45.43</b>	20.332	-.284	-2.235	<b>.030**</b>	.902	1.109
	Liquidity	<b>4.85</b>	1.461	.425	3.316	<b>.002***</b>	.886	1.128
	Leverage	5.80	3.821	.198	1.518	.136	.860	1.163
	Company Size	<b>-8.06</b>	3.343	-.300	-2.411	<b>.020**</b>	.942	1.062

Significant at the 0.10 level    \*\* Significant at the 0.05 level    \*\*\* Significant at the 0.01 level

Table (6) reveals that beta coefficient  $B_1$  is equal to -45.43 which means that the listed non-financial Egyptian companies' dividend payout will decrease by 45.43 if the return on assets increased by one unit. Additionally, the beta coefficient  $B_2$  is equal to 4.85 which means that if the current ratio increased by one unit, the dividend payout of the listed non-financial Egyptian companies will increase by 4.846. Likewise, the beta coefficient  $B_3$  is equal to 5.799 which means that the listed non-financial Egyptian companies' dividend payout will increase by 5.799 if the debt to equity ratio increased by one unit. The beta coefficient  $B_4$  is equal to -8.058 for the last variable company size in case it increased by one unit, the dividend payout of the listed non-financial Egyptian companies will decrease by 8.058.

Table (6) shows that three variables are considered significant which are profitability, liquidity and company size. Moreover, the p-value for the profitability is equal to 0.030 and liquidity is 0.002 which is lower than the significance value of 0.05. indicating that the company's level of profitability and liquidity have a significant influence on the dividend payout of listed non-financial companies in Egypt. This result is advocated by the pecking order theory that mentioned that companies are more dependent on internal financing than external. Accordingly, high profitable companies are likely to pay lesser dividends. This result is in consistent with earlier researches such as; (Demirgüneş, 2015); (King'wara, 2015); (Hosain, 2016); (Banerjee, 2017) Moreover, this result is reinforced by the agency theory as high liquid companies have a tendency to pay more dividend in order to reduce the agency costs. In addition, some researches (Waswa, 2013); (Ringborg & Dai, 2016); (Banerjee, 2017) verify this results. Thus, H1 and H2 are accepted.

Conversely, financial leverage is considered insignificant variable In addition, the p-value of the financial leverage is equal to 0.136 which is higher than the significance value of 0.05. It could be concluded that that the company's financial leverage has no significant impact on the dividend payout of listed non-financial companies in Egypt. The result could be due to the small amounts of long term debts of the companies' sample. This relationship is not complying with Free cash flow hypothesis which indicates that levered companies are likely to use their free cash flow in paying debt principal and interest charges than in paying dividends. Nevertheless, this result is consistent with some researches such as; (Al-Kuwari, 2009); (Waswa, 2013), (Maldajian & El Houry, 2014); (King'wara, 2015); (Ringborg & Dai, 2016); (Soondur, Maunick, & Sewak, 2016). Therefore, H<sub>3</sub> is rejected.

Finally, the p-value for the company size is equal to 0.020 lower than the significance value of 0.05 which indicates that the company's size has a significant effect on the dividend payout of listed non-financial companies in Egypt. This result is consistent with life cycle theory that refers to the preference of large companies in investing their earnings for more growth rather than distributing dividends. Moreover, this result complies with some research conducted by (Rehman & Takumi, 2012); (King'wara, 2015); (Mui & Mustapha, 2016); (Banerjee, 2017). Thus, H<sub>4</sub> is accepted.

Moreover, a second model is built to test the relationship between the dividend payout ratio and the three significant independent variables namely; profitability, liquidity and company size.

According to second model ANOVA results, a linear relationship exists between the research's variables and the p-value is equal to 0.001 which is highly significant at 0.001 level of significance.

**Table7: Model 2 Coefficients**

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	Collinearity Statistics

		B	Std. Error	Beta			Tolerance	VIF
2	(Constant)	70.867	31.138		2.276	.027		
	Profitability	<b>-52.279</b>	20.098	-.327	-2.601	<b>.012**</b>	.949	1.054
	Liquidity	<b>4.373</b>	1.447	.384	3.021	<b>.004***</b>	.928	1.077
	Company Size	<b>-7.425</b>	3.362	-.276	-2.208	<b>.032**</b>	.957	1.045

\*Significant at the 0.10 level \*\* Significant at the 0.05 level \*\*\* Significant at the 0.01 level

Table (7) reveal the results of the second model multiple regression for the three significant independent variables. The table shows that beta coefficient  $B_1$  is equal to -52.279 indicates that if the return on assets increased by one unit, the Egyptian companies' dividend payout will decrease by 52.279. Moreover, the beta coefficient  $B_2$  is equal to 4.373 that indicate if the current ratio increased by one unit, the dividend payout of the listed non-financial Egyptian companies will increase by 4.373. Finally, the beta coefficient  $B_3$  is equal to -7.425 which means that if the company size increased by one unit means the dividend payout will decrease by 7.425. Furthermore, the regression results that all the three independent variables Profitability, liquidity and company size are significant variables. considered significant at 0.05, 0.01 and 0.05 level of significance respectively. Accordingly, this result in accepting all the hypotheses related to the three variables which are  $H_1$ ,  $H_2$  and  $H_4$ .

To choose between the models the adjusted  $R^2$  value is to be considered. According to (Ragsdale, 2008) the higher the adjusted  $R^2$  the better the model is since it is more accurate in measuring the regression best model. The results indicate that the  $R^2$  is 29.60% for the second model adjusted which is higher than the first model 27.10%, indicating that the second model is the best fit model that can verify the relationship between profitability, liquidity and company size with the dividend payout of the listed non-financial companies in Egypt.

## 5. Conclusion

The distribution of dividends is a vital topic and it is essential to improve knowledge about the determinates that may influence the dividend policy. Therefore, this research aims at examining the determinants of dividend payouts among listed non-financial companies in Egyptian stock exchange.

The four determinants are selected for this research namely; profitability, liquidity, financial leverage and company's size. A sample of 51 non-financial companies from different industries and data are collected from Thomson Reuters DataStream covering year 2016 and. Two models were developed using multiple regression analysis.

The research results indicated profitability and company's size have a negative significant relationship with dividend payout, while liquidity showed a positive significant relationship. However, the financial leverage indicated insignificant relationship Thus, it is concluded that

profitability, liquidity and company's size are major determinants for dividend payout for listed non-financial companies in Egypt.

The research findings have a significant implication to existing and potential investors and financial analysts on how companies can determine their dividends payments. For managers they must consider the company's profitability, liquidity and size when setting their dividend policies may help in making effective and reasonable dividend payout decision, which could result in maximizing the company's profits and satisfying the shareholders' needs. Moreover, this research supports (Desoky & Mousa, 2019) that these determinates may provide significant knowledge to stakeholders such as the government, regulatory bodies which might impact the dividend decisions.

As any research it has some limitation which may restricts the generalization of the research results. Firstly, it applies a cross-sectional research based on data from one year. Future research could use longitudinal and panel data. Secondly, although the determinates included in this research are the most commonly used factors in previous researches, only four selected determinates were included in the research, however, it is possible that other determinates might have greater impact on the dividend payout more than the included factors in the research. As indicated by the adjusted  $R^2$  at 29.6% that explains the variation in the dividend payout ratio in Egypt, which means that the model lacks other variables that could affect the dividend payout ratio. Future research may include more factors such as; growth opportunities, auditing type and business risk. Moreover, future research may have in-depth interviews to have better insight and understanding about other factors that can affect the dividend payout decisions.

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