Does Corporate Governance Explain the Catering Theory of Dividend MENA Region?

Hadfi Bilel[1],Ines Khammassi[2]

[1]University of Tunis el Manar, Faculty of science economics and management of Tunis, Management,Hadfibilel@hotmail.fr
[2]Assistant Professor, College of Business Administration, King Faisal University, Kingdom of Saudi Arabia,inesss2016.kh@gmail.com

Abstract

Our analysis has several policy implications that are particularly relevant, allowing the passivity to better understand the implication of catering for dividends by examining the moderating role played by certain institutional variables. This idea has not been taken into account in previous studies, neither theoretically or empirically, but our results corroborate a way in which investors value dividends depends on the internal and external characteristics of the company and corporate governance mechanisms. In fact, our study further verifies which institutional variables moderate the payment of the dividend to managers' management actions. We trace firm characteristics and level corporate governance practices in six countries from Mena zone context, and in our empirical tests, we find that firms internal and external environment play an important role on the investor decision to demand or not dividend from firms. Our evidence also provides empirical support that external and internal mechanisms are important to force firms to disgorge cash and force the presence of a more general phenomenon of the catering. Moreover, our empirically estimation indicates a different result from our countries.

Keywords: Catering theory, Corporate governance, Agency, Signal, Mena stock exchange.

This study attempts to build on the existing studies of some Middle East and North Africa countries. The analysis attempts to characterize the catering theory of dividend of the different countries of Mena Zone and tries to overcome the new econometric modeling problems identified in our study. This is done by focusing in the special Mena countries market condition and adding additional variables that were not previously tested (such as corporate governance and ownership structure). Our study will contribute to the literature by examining set of under-researched factors affecting the new theory of dividend (the catering theory) in Tunisia, Morocco, Egypt, UAE, Saudi Arabia, Kuwait and al MENA data. The focus of this study is the Mena zone as those 6 countries have a different legal and corporate environment that has largely been explored in the literature.

The catering theory of dividend, proposed by Baker and Wurgler in the early 2004s, provides that the managers' decision to distribute dividend is drive by the investor preference for dividend. Managers should cater if the investor demand dividend, but not if the investor do not demand dividend. Moreover, our study provides a new explanation for the factor affecting the catering of dividend such, firm's characteristics, corporate governance, ownership structure. Catering refers to corporate decisions made to meet the demand of irrational investors who are willing to pay a price higher than fundamentals (Baker and Wurgler, 2012). When equity is overvalued, companies invest more (Baker, Stein, and Wurgler, 2003; Polk and Sapienza, 2009), initiate dividends (Baker and Wurgler, 2004), and use more accruals (Badertscher, 2011;Chiand Gupta,2009).Catering, however, does not benefit investors. The governance hypothesis suggests that a good governance mechanism can deter catering by disciplining managers. If catering behavior actually hurts companies' reputation, the market price can drop (Karpoff, Lee, and Martin,(2008b).The drop in the stock price can make the firm more vulnerable to takeover. The price drop also imposes personal costs on managers by reducing the value of shares or options they hold. For companies with good governance, managers may face employment termination in case their misbehavior it revealed (Karpoff, Lee, and Martin,(2008a).Therefore, managers will resist catering even when faced with overvaluation in case sufficient governance mechanism is in place.

La Porta et al. (2000a) explain the relationship between dividend and the quality of governance for 33 countries, highlighting two different considerations. On one side, these authors predict a positive influence of the quality of governance on the dividends policy. They interpret that the pressure of the minority shareholders on insider can contribute to distribute high dividends by managers in well governed firms. On the other hand, the negative relationship is explained by the weak governance quality, this could contribute to increases the need to pay out cash. The governance hypothesis suggests that a good governance mechanism can deter catering by disciplining managers. If catering behavior actually hurts companies' reputation, the market price can drop (Karpoff, Lee, and Martin, 2008b). Prior literature (Baker and Wurgler, 2012; Polk and Sapienza, 2009) suggests that managers with shorter shareholder horizons cater more. When managers care about Existing short-term share holders and there by the short-term price, they will try to cater.

Corporate governance can play an important role to explain the investor decision to demand dividend from firms. Moreover, accordingly to La porta (2004) suggest that country in Common law system characterized by a high level of investor protection and a high level of corporate index, distribute more dividend and managers are able to cater more for their investor demand for dividend. In contrast, country in Civil law system are characterized by a low investor protection and low corporate governance mechanism, managers distribute a low dividend level and expropriate more the capital of firm. Further, investor need more corporate governance mechanism to make pressure, supervising and control for managers to receive a dividend from firm.

The luck of the theatrical and empirical tests influences of corporate governance mechanism on the investor demand for dividend in the principal incentive to my investigation. Besides, related to the previous research that highlights the important role played the catering theory on the decision to distribute dividend by the managers of firms.(see are the following Baker, Wurgler (2004a), Li, Lie (2006), Nopphrom Tanjitprom (2013), Ferris, al (2009), Jin, and al (2013), Kamel Anouar (2009), Hoberg Prohbala (2006), Mamunun and al (2013), Rihanat and al (2013)). Xin and al (2021) they find that firms increase dividend payouts when controlling shareholders demand higher dividends after the dividend tax reform. In particular, firms pay higher dividends when facing increased demand from controlling shareholders than when the demand is from minority investors. In addition, they find that firms that increase dividend payments due to the controlling shareholders' demand subsequently have more debt financing and poorer firm performance, suggesting that catering to the demands from controlling shareholders is subject to the Type II agency problem.

Alok and al (2022) they show that dividend sentiment affects corporate policies and asset prices. Investors search more for dividends when economic conditions are poor, with the peak volume reached during the recent COVID-19 pandemic. Firms initiate or increase dividends when dividend sentiment is stronger, especially in regions with strong dividend sentiment. Shifts in dividend sentiment predict higher investor demand for dividends and higher returns for high dividend stocks. Further, mutual funds that pay high dividends receive more inflows when dividend sentiment is stronger.

There is evidence of catering to investor sentiment for dividends in Middle Eastern and North African countries. Mona Elbannan (2020) show that dividend payers are mature, profitable, large firms with lower growth opportunities, and high dividend premiums, which supports the catering, life cycle, and agency theories. Catering behavior persists even after controlling for the effect of Arab Spring. Difference-in- difference analysis shows that countries highly affected by the political transition period are less likely to pay dividends in the post-Arab Spring period than less affected countries. Catering decreases significantly in the post-Arab Spring period as compared with during- and pre-Arab Spring periods, suggesting that investors prefer that managers retain earnings to reinvest and grow during unstable economic conditions. Furthermore, catering persists in countries with high corruption levels and poor legal quality to reduce agency cost, and substitute for weak legal systems with poor enforcement of laws.

Yasir et al (2024) show that the governments direct share purchases cause higher levels of horizontal agency conflicts between the controlling and minority shareholders, and the affected firms are more likely to cater to the controlling shareholders and top executives' aversion to receiving overvalued stocks. Jinho and al (2021) they show that there are important differences in corporate dividend policies across countries. Second, they find that the catering incentive is stronger when investor sentiment is low. Third, firms domiciled in countries with strong legal protections for investors are more likely to catering to investors, especially when investor sentiment is low. Daniel and Ernest (2021) suggest that catering effects weaken the negative impact of managerial entrenchment on payout policy and that in firms with entrenched managers an increase in the propensity to pay dividends is conspicuous only when there is external investor demand for dividends. Firms respond to catering incentives when dominated by insiders but not institutional owners. Overall, their findings are consistent with the view that dividend payments are a result of external pressures to reduce agency problems associated with firms run by entrenched managers.

Prior research and hypotheses development

1. Investor demand for dividend and board of directors:

Boards are an important governance mechanism. Several studies have found a strong link between board composition and market valuations of emerging market companies.

Board size

The literature highlights the importance of board functions in ensuring the quality of management decision-making processes. Previous studies on the relationship between board size and firm performance are inconclusive. In general, the small size of boards facilitates the decision-making process, but the number of directors on a board can help the management team make more informed decisions. To manage unexpected changes in the business environment and ensure business sustainability in a crisis, it is important that appropriate decisions are made in a timely manner. Larger councils may offer the advantage of more robust counseling, but may also suffer from coordination problems (Jensen, 1993). Hence, small board size will lead to better corporate governance practices (Hu and Kumar, 2004). In addition, Jensen (1993) argues that large board size will lead miscommunication and miscorrelation between members. Hence large board size will create weak governance.

H1. There is negative association between the board size and the investor demand for dividend.

Board independence

The existence of one-tier or a two-tier board structures play a key role in guiding and supervising a company. Besides, the effectiveness of the corporate governance mechanism can be composed by the internal structure on the board. Different countries adopted a board structure called the unitary, which implies al board member considered to play the same role and same position in the firms since their also manager supervise its activity such as, the find of Hopt and Leyens, 2004; Adams and Ferreira, 2007) in the firms in Anglo- Saxon countries, Renneboog and al, 2001 and Chirinko et al., 2004), in the most European countries expected Germany and Netherland. According to Ghabayen (2012), the board of directors' composition has a negative effect on firm performance (Return on Assets) in Saudi Arabia. Based on that we argue that these directors are nominated, suggesting that companies whose boards are composed of a larger fraction of external / independent directors generally have a higher valuation.

H2.The relationship between the percentage of independent directors on the board and the decision to demand dividend is positively associated.

1.3Board executive (CEO) Duality

The composition of the board of directors plays an important role in the effective monitoring of management actions (Fama1980, Fama and Jensen 1983). A higher percentage of outside directors is generally seen as a more effective way to monitor the company and increase the wealth of its shareholders (Beasley, Carcello, Hermanson and Lapides, 2000, Fama and Jensen, 1983, Farber, 2005, Perry and Shivdasani, 2006). 2005). Deborah et al (2017) believe that the initiation of the dividend can be the result of the dynamic power of the shareholders, the board of directors, the CEO and the benefits to the strongest party. If the shareholders are weaker than the CEO, the dividend payment benefits the CEO. On the other hand, if they are stronger than the CEO, the initiation to the dividend is beneficial to them. Dan Zhang (2018) states in his study that dividend-minded investors should check the CEO's dividend protection, as changes to the CEO's dividend protection are generally applied before changes to the dividend payment are made. Dividend protection for the CEO can be provided to align executive incentives with shareholder interests in the distribution policy.

H3. There is a negative association between the catering of dividend and the managers if they combine the duties of the executive director and the chairman of the board.

Characteristics of ownership structure and the catering for dividend

2. 1.Ownership concentration

Jensen et al. (1992) and Short et al. (2002) have shown that dividend payments go in the opposite direction to insiders, as there was no need to pay high dividends to reduce agency costs at a time when real estate management is high. However, according to Farinha (2003),this association is only contrary in appropriate cases before a critical level of expenditure reduction; after this level, ownership and dividends offset each other. Naceur et al. (2006) found that the ownership concentration has no impact on the dividend policy in Tunisia. Samir and al (2013) base their explanation of the dividend policies on the ownership structure in the case of Casablanca stock exchange listed firms. Moreover, Samir and al (2013) explain the ownership structure from two aspects that ownership concentration and the identity of the largest shareholders (institutional investors, government, and foreigners‟ shareholders). They argue that ownership identity influence negatively the dividend policy. Further, when either identity of the largest shareholders is in industrial or a family company the level of distributed dividends decreased.

Harada and Nguyen (2011) find that the higher ownership concentration led managers to pay lower dividend among Japanese firms. Ali and al (2014) argue that corporate governance mechanism (percentage of ownership, institutional shareholders and the percentage of board members) effects account for a significant part are significant in the dividend decision Kouki and Guizani (2009), Hadfi (2020),studied Tunisia stock market from 1995 to 2001. They conclude that ownership concentration and government ownership factor play an important role on the dividend policy. In the case of Saudi Arabia, the legal protection for shareholders (outside shareholders) is poor, as their investor's rights are not provided much protection.

H4. There is a positive association between the concentration of the board and the decision to demand dividend.

2.2. Government ownership

The government plays a significant role in this way, with government ownership in many companies resulting in the government acting on behalf of the shareholders with minority ownership. Thus, the government acts more like a powerful investor on behalf of all investors. As a result, controlling shareholders are forced to protect the rights of minority shareholders, with the result that this arrangement helps to reduce agency costs (Glenetal.1995; Naser, 2004).Evy and al (2016) conclude that the presence of significant non-family property appears to affect the determination of control levels of private benefits. Manuel (2017) conclude that ownership structure play an important to explain the dividend policy of companies in the Mexican market. Family firms with presence of big foreign shareholders have a different effect on the decision to distribute dividend. Maximiliano and al (2017) they find that ownership concentration affect the dividend payment in six Latin American countries. They find that when the ownership concentration is high firms tend to pay fewer dividends when the largest investor identified as an individual, consistent with individual investors extracting benefits from minority shareholders.

H5. There is a positive association between the percentage of government ownership on the board and the decision to demand dividend.

2.3. Foreign ownership

Yordying Thanatawee (2014) conclude that firms pay lower dividends when foreign investors hold more share, also, that foreign investors and large institutional expropriate minority shareholders. In countries like Saudi Arabia, state ownership plays an important role in dividend payment policies. Balasingham and al(2017) they find that firms with higher foreign institutional ownership are less likely to pay dividends and have lower distribution ratios. Kiyoung and al (2016) they conclude that firms with long-term institutional investors play a monitoring role using dividend payouts as a monitoring device. The Saudi Equity market has limited foreign investment, unlike its western counterparts.

Ilina, and Alekseeva (2014), and Al-Najjar and Kilincarslan (2016),Irene and al (2017).The low level of governance and low shareholder protection are associated with a low level of dividends. In this situation, the behavior of the controlling shareholder tends towards the expropriation of the other shareholders notably by the lowering of the level of dividends. Concentrated ownership encourages majority shareholders to exercise better over sight over the management of the business. On the other hand, in the dispersed ownership situation, the smaller shareholders with regard to the benefit/cost are less encouraged to perform this monitoring. The majority shareholder requires high dividends for two reasons: resolving the agency conflict and recovering the monitoring costs.

The dividend payment reduces the agency cost by limiting the available liquidity for the discretionary expenses of the executives. Therefore, they seek to reduce agency costs by claiming a high level of dividend, some of the most prominent explanations (see; Ahmed and al (2016); Hamdouri Amina (2015);Abor and

Fiador (2013); K.M.K.N.S. Kulathunga and al (2017); Arshadetal (2013);Obradovich and Gill (2013);Omneya and al (2008);Easterbrook (1984); Jensen (1986); Mancinelli and Ozkan (2006);Maximiliano and al(2017);Juan Manuel (2017); Evy and al (2016); Abdullah and al. (2012); Thanatawee (2013); AL-Shubiri et al (2012);Al-Gharaibeh and al.(2013); Kouki and Guizani (2009);Aziz and al (2016); Musa Shehu (2015), Abeer and Ines (2024).

H6. There is a positive association between the percentage of foreign ownership on the board and the decision to demand dividend.

Data and methodology

DATA

This paper examines dividend policy for a comprehensive sample of the MENA zone firms from different non financial listed in the 6 countries from Mena zone, from the Saudi stock exchange (Tadawul), the Tunisian stock exchange (BVMT), the Morocco stock exchange (CBE), the Kuwait stock exchange (KSE), the UAE stock exchange (ABSE and DSE), and Egypt stock exchange (ESE). The variables are selected following suggestions in the literature. The data are extracted from the available annual financial performance variables are collected. Some additional variables are manually collected from the annual financial statements of the companies. The resulting sample spans from 2010 to 2019,covering all 24 publicly listed firms in the Tunisia, 56 publicly listed firms in the Morocco, 128 in Egypt, 78 in UEA, 146 in Saudi and 168 in Kuwait stock exchange excluding financial institutions and insurance companies. The final sample has both a balanced panel. The unbalanced panel contains 600 companies with from 2010 to 2019, Representing 6000 observations.

Model specification and variables

I specify the following model to empirically test four research hypotheses. The test variables are italicized. The measures for the variables are shown in Table 1. Consistent with the corporate governance structure literature (e.g La Porta et al.(2000a);Guglerand Yurtoglu (2003),Correia da Silva, Goergen and Renneboog (2005), the dependent variable is related to the catering theory of dividend(e.g. Baker and Wurgler 2004a, b), Li and Lie (2006), Hadfi and Kouki (2020).

$$\boldsymbol{Catering_{it}=\alpha_0+\alpha_1\,Board\ of\ director_{it}+\alpha_2\,Onwership\ structure_{it}+\alpha_3\,agency\ theory_{it}+\alpha_4\,signal\ theory_{it}\ \alpha_5\,control\ variables_{it}+\varepsilon_{it}}$$

I include control variables that have been found to be statistically significant in the previous literature. I include variables that capture a powerful of firms’ liquidity and profitability, and leverage because this are negatively related to investor demand for dividend (Denis and Osobov (2008), Eije and Megginson (2008). More profitable (ROA) and mature companies (RETE) are positively associated with the investor demand (DeAngelo et al. (2004, 2006), Mahammad and Fatemeh (2013),Thanatawee (2011),Fama and French (2001), Ajanthan (2013), Naceur and al (2006), Duha Al-Kuwari (2009). The inclusion of growth opportunities, firm size, and liquidity also help control for potential mechanisms through with corporate governance mechanism could influence catering for dividend (Al-Kuwari (2009),Bradford and al (2014), Hananeh and al (2013), Ngauyen (2012),Jin and al (2011). I include the audit quality variable helps control the power of auditor on the investor preference for dividend.

Table1.Summary of different variables

Dependent Variables	Definition	Priors studies
Dividend premium	Dividend Premium Difference between the market to book average of firms' payers and firm's non payers	Baker and Wurgler 2004a,b, Jin and al (2013), Hadfi and kouki (2021).
Market to book (t-1)	The market to book ratio is calculated by divided the firm's market value to the book equity.	Kamel Anouar(2009).
Modified dividend premium	Modified dividend premium is measured by regress the firms' market-to-book ratios on the current assets growth and capital expenditures	Jin and Jinho (2013),Baker and Wurgler (2006)
Independent variables		
Board size	Number of the board of director composition in the firms.	Belden and al (2005),Hu and Kumar (2005)
Board independent	Percentage of independent directors is measured as the number of independent directors divided by the total number of directors on a firm's board.	Yermack1996),Belden and al (2005), Ghabayen (2012).
Chef executive officer Duality	Dummy variable equals 1 if the chairman and the director is the same person, 0 if otherwise	Marzieh Movassaghi (2014), Elhamand al (2013), Kulathunga and al (2017),
Ownership concentration	Hold at least 5 percent of equity ownership	Khan (2006), Samir and al (2013), Aliandal (2014),Kimieand Pascal (2011)
Foreign ownership	Dummy variable equals 1, if the largest shareholder is a foreign firm, 0 otherwise	Jinandal (2011),Djankov and Hoekman (2000)
Government ownership	Dummy variable equals1, if principal shareholders is a government, 0 otherwise	Maximiliano and al (2017),Evandal (2016)
Profitability premium	Difference between the natural logs of the dividend payers' and nonpayer' book-value-weighted average earnings before interest over total assets	Fuwei and al (2018) (Lui and Shan (2007), king and Lee (2011).
Cash holding	Difference between the natural logs of the dividend payers' and non payer' book value weighted average cash to assets ratios.	Anwar and al(2015);Michael and Zhang(2016),Zhong et al.(2014)
Asymmetric information premium	Difference between the natural logs of dividend payers and nonpayer' book value weighted average standard deviation of daily stock returns	Bhattacharya (1979);Rezaet al (2013),El Houcine and Boubaker (2014
Control variable		
Audit quality	Dummy variable equals 1,if auditors is Big4, 0 otherwise	Deshmukh (2005),Mitton (2004)
Size	Log of total assets	AlKuwari (2009), Al Ajmiand Abo Haussain (2011)
Growth	Total asset growth of the firms	Naceur and al (2006), Kowalewski and al (2008), Myers and Majluf (1984)
Profitability	The firms profitability is calculated by dividend the return on the equity of firms	Fama and French (2001) Ajanthan (2013), Mahira Rafique (2012),
Liquidity	The liquidity of firms is measured by divided the current assets by the current liabilities.	Arill and Mclaney (2002),Ibrahim Ahmed (2014), Jin and al (2011),
Cycle life	The firm cycle life measured by divided the retained earnings to the total equity	De Angelo and al (2004,2006).Richard and al (2014), Thanatawee (2013).
Debt level	Ratio of total debt to book value of assets	Fama and French (2001), Ahimud and Li (2006), Ross (1977).

Analysis and results

Table 2.Descriptive statistics

Continuous variables				Dummy variables			
	MEAN	**MEDIANE**	**SD**			**Frequency**	**Percentage**
MTB	.0145	.0018	.0737	CEOD	1: Accumulation of duties	534	8.90
MDP	.0125	.0006	.0752		0: Separation of functions	5,466	91.10
DP	.0113	.0002	.3080	FO	1: Existence of a foreign	1,924	32.07
PP	.0285	.00002	.2410		0: Absence of a foreign	4,075	67.93
CHP	-.009060	-.0000114	.0651	GO	1: Existence of a Government	450	7.50
AIP	-.023232	-3.17e-06	.3111		0: Absence of a Government	5,55	92.50
OC	.4356	.4	.4035	AQ	1: Existence of a Big4 auditor	3,816	63.60
BS	7.697	7	2.010		0:Absence of a Big4 auditor	2,184	36.40
BI	.0670	0	.0997				
SIZE	2.664	2.646	1.141				
CL	.1520	.0835	.6284				
LIQ	.2282	.1101	.2714				
DL	.1607	.0913	.1864				
ROA	.0581	.0496	.1316				
Growth	.4132	.0560	18.543				

Table 3.Board of director variable on the catering theory: North Africa

Board of director as Independent variable	Tunisia			Morocco			Egypt		
	DP	**MTB**	**MDP**	**DP**	**MTB**	**MDP**	**DP**	**MTB**	**MDP**
C	.0020	-.1292	-.0001	.0129*	-.0177	.0330*	-.0001*	-.0047*	-.0075*
BS	-.0007	.0118	-.0006	-.0009	.0041	-.0027*	4.42e-06	.00007	.0001
BI	.0034	.2858	.0069	-.0192	.2512	-.0219	-.0001	-.0006	-.0057
CEO	.0009	-.0625**	.0005	.0115	-.0003	.0034	-.00006	-.0015*	-.0025*
SIZE	.0004	.0158	.0059			.0015	.0001*	.0032*	.0055*
DL				-.0130**		-.0286*			
ROA					.0407**				
REBE	.0001	-.0899	-.0345		.0178		.0002^{a}	-.0003	-.0010
H-value	0.7390	0.4255	0.8521	0.9246	0.4093	0.8624	0.3489	0.8186	0.7194
BPL-value	1.0000	0.2457	1.0000	0.4623	0.0000	0.0000	0.0000	0.0000	0.0000
MW-value	0.000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
W-value	0.2907	0.0003	0.0000	0.7844	0.0196	0.3977	0.9197	0.2966	0.1673

The table 3 and 4 asserts the results of the relationship between board of director factors and the catering theory of dividend successively from North Africa countries and Middle East countries. . Besides, the coefficient of CEO duality variable is negatively significant with the catering theory of dividend proxies in the case of Egypt, UAE, Saudi Arabia and Kuwait. This result suggests that the investor preference for dividend is low when the mangers of firms are the same director of board of directors of firm. Furthermore, when the same person occupies the same responsibilities of the firms it can affect the decision of distribution dividend for the shareholder. Besides, this situation can increase the degree of extrapolation of the value and profit of the firms and can play disadvantage factor for the shareholder. Companies must separate the President and Chief Executive Officer from the Chairman of the Board of Directors to prevent the agent from engaging in opportunistic activities to the detriment of shareholders. Besides, the separation between both positions is a proxy of a good quality of corporate governance. As well, our result confirm the investigation of Omneya and al (2008) in Egypt stock exchange argue that dividend policy of firms not associated by board independent, board size and the CEO duality. In contrast, Ahmed and Mohamed (2016) argue board size, board independent and CEO have a crucial influence on dividend. Large boards can monitor the resources in a better way, which ultimately improves the performance of a company. Moreover, When CEO doubles as Board chair, it affords the CEO a greater opportunity to influence the decisions made by the Board. Our results are different to the study of Khaled and Mohamed (2007) in the UAE context concluded that institutional investors, audit type, board size, and firm's size variable do not affected the dividend policy. Further, Mohammad Ahid Ghabayen (2012) found a negative relationship between board size and performance of the firms; this indicates that as the composition of the board increases, the performance of the company decreases, and vice versa. Hamdouri Amina (2015) concludes in her study on the Saudi Arabia context that the separation in the function of chairman and of CEO and ownership concentration plays the key factor that explains the corporate governance mechanism.

Table 4.Board of director variable on the catering theory: Middle East

Board of director as Independent variable									
		UAE			**Saudi Arabia**			**Kuwait**	
	DP	**MTB**	**MDP**	**DP**	**MTB**	**MDP**	**DP**	**MTB**	**MDP**
C	.00056	.0018	.00387*	-.00171	-.00600*	-.07130	.0004	.0013	-.00118
BS	-.000036	.0002	-.000097*	.00026	.00202*	-.00002	6.57e-06	.00036	.00008
BI	.000305	.0043	.00040	-.00022	-.0055	.0043	-.0008	.0127	.0021
CEO	-.00028	-.0017	-.00056*	-.00074	-.0065	.0025	-.0006	-.0020***	.0012
SIZE	.000066		-.0002*			.0229*	.0011*	.0011	.0019*
ROA	.00365*	.0030				-.0027	-.0005	.0011	
REBE				.00538*	.0086*				
GROW		-.0014*						.0001*	
H-value	0.0961	0.0000	0.5267	0.9871	0.4406	0.0118	0.8529	0.1017	0.5228
BPL-value	0.0050	0.0000	0.0000	0.0000	0.0000	0.0547	0.0000	0.0000	0.0000
MW-value	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
W-value	0.4889	0.0447	0.7738	0.0133	0.3142	0.3176	0.0000	0.0130	0.2997

The coefficient of board size is negatively associated with the catering theory in the case of Morocco and UAE, suggestion, that investor prevail high (low) demand for dividend to firms with small (large) board. The larger board will perform worse the firms for some reasons, such as the free-riders problem, a decreasing cohesiveness and coordination and communication problems. In contrast, board size is positively associated in Saudi Arabia context, suggesting that Saudi Arabia investor demand more dividends from larger firms' more than smaller firm. Besides, firms with larger board size and family controlled tend to pay higher dividends. It is due to the higher stake of family in the business, which forces managers to distribute earnings among the family in the form of dividend. Finally, the table provides the absence of significantly effect of the board independent factor on the investor preference for dividend.

Table 5.Ownership structure on the catering theory of dividend: North Africa

Ownership structures Independent variable

	Tunisia			Morocco			Egypt		
	DP	**MTB**	**MDP**	**DP**	**MTB**	**MDP**	**DP**	**MTB**	**MDP**
C	-.0018	-.0356	-.0154	-.0064	.0251	-.0030	-.0002*	-.0063*	-.0092*
OC	-.0032	.0866	.0239	.0067	-.0413	.0198**	.0001*	.0016*	.0049*
FO	.0023	-.0155	..0044	.0016	-.004	.0006	-.00001	-.0010*	-.0039*
GO	-.0043	-.0461	-.0062	-.0068**	-.0121**	-.0098*	.00002	.0008**	.0016
AQ	.0006	..0796	.0144	-.00035	.0126	-.0010	.00002	.0008	.0008
SIZE	.0004	.0143	.0066	.0025	.0051	.0029	.0001*	.0038*	.0061*
DL		.4154**							
REBE			-.0341	-.0020	.0194	.0059	.0002*	-.0006	-.00009
H-value	0.3671	0.3985	0.8225	0.1825	0.8411	0.2173	0.4942	0.8483	0.7595
BPL-value	1.0000	0.0136	1.0000	0.4410	0.0000	0.0000	0.0000	0.0000	0.0000
MW-value	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
W-value	0.1295	0.0002	0.0000	0.8162	0.0240	0.4306	0.5799	0.2981	0.1678

The table 5 and 6 illustrate the relationship between ownership concentration variables and the catering theory of dividend proxies, successively from North Africa countries (Table 5) and Middle East countries (Table 6). Moreover, the ownership concentration is positively significant with the investor demand for dividend in Morocco, Egypt, Saudi Arabia and Kuwait. This suggests that investor preference for dividend manifest more strongly in firms with high ownerships concentration than firms with low ownership concentration.

Furthermore, the firms with high level of ownership concentration should pay a high level of dividends. Furthermore, firm with higher ownership concentration pays lower dividend. Insofar as the main shareholders do not actively use dividends to control free cash flow problems, contrary to what Faccio et al. (2001) argue that the predominant agency conflicts appear to be the misguided interests of majority and minority shareholders. In addition, Aziz and Hanen (2016) conclude that the ownership concentration and the foreign ownership have a positive significant role with the dividend policy of Moroccan firm, but they conclude an insignificant of the institutional ownership. Further, this result confirm the result of some other studies such as Omneya and al (2008) concluded that institutional ownership can play an important role on the dividend decision by Egyptian managers. In addition, the study of Islam Azzam (2010) in the Egyptian stock exchange conclude that that ownership by top management and private holdings and private companies and ownership concentration has negative effect on payout ratio as these institutions divert resources to their own benefits.

In addition, La Porta et al (1998) suggest a strong link between legal protection and concentration of ownership in poorly protected countries in terms of investor protection, such as civil law countries, such as Kuwait, where investors tend to a higher concentration of property and where the state or families usually own businesses. It is therefore not surprising to find that the property is highly concentrated and mainly controlled by families or the Government of Kuwait. In Kuwait, three groups of shareholders generally hold a significant interest in companies listed on the Kuwait Stock Exchange. These groups are the government and its agencies, the dominant families and institutional investors. The shareholders appoint the management of listed companies in Kuwait. As a result, the managers have a duty to manage the companies on behalf of the shareholders and, therefore, are accountable to them. In contrast, the ownership concentration affects negatively the investor preference for dividend in the case of Saudi Arabia.

Table 6.Ownership structure on the catering theory of dividend: Middle East

Ownership structure as Independent variable

	UAE			Saudi Arabia			Kuwait		
	DP	**MTB**	**MDP**	**DP**	**MTB**	**MDP**	**DP**	**MTB**	**MDP**
C	.0156	.0108*	.0042*	.0013	.0024**	.00077	.0006	.0016	.00037
OC	-.0520*	-.0122**	-.0013*	-.00056	.0195*	.0026	.00022	.0049*	.0028*
FO	.0048*	.0024**	.00038***	-.00041	.0063*	.0089	.00002	.00014	-.0013*
GO	-.00079	-.00026	.00042	-.00059	-.0073*	-.0038	-.00039	.00087	-.0006***
AQ	-.000042	-.0027*	-.00067*	-.0012**	-.0015**	-.0026	-.00042**	-.0053*	-.0008*
SIZE	.00300^{b}		-.00040*					.0021***	.00102*
ROA							-.0006***		.0051*
REBE				.00554*	.0065*	.01054			
LIQ							.0008*	.0044*	
GROW		-.0014*						.00146**	
F-value	0.0000								
H-value	0.0001	0.0007	0.1986	0.9869	0.1773	0.8441	0.8644	0.0000	0.9300
BPL-value	0.0010	0.0000	0.0000	0.0000	0.0000	0.0274	0.0000	0.0000	0.0000
MW-value	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
W-value	0.4693	0.0463	0.9171	0.0208	0.3089	0.0074	0.0000	0.0021	0.3376

Besides, this can explain that the external ownership needs more dividends from the firm because they do not stay for a long time in the firms. Furthermore, our results dependent of the investor type on the market. Though, when foreign investors hold large holdings, they tend to force companies to pay dividends. In addition, foreign-invested investors who retain both dividend-paying clients and a similar oversight incentive to other foreign investors in other markets may be more concerned about adverse selection costs and agency conflicts.

In contrast, the estimated coefficient for government ownership is negatively associated with the catering theory of dividend, providing no strong effect of shareholders from state on the investor preference for dividend in Morocco, Saudi Arabia and Kuwait. Besides, this conclusion is broadly consistent with argument that state controlled firms tend to pay more dividends. Government ownership may play a role in the dividend payment decision by decreasing the level of corporate control. Therefore, the government, which is usually a large shareholder, will act for the benefit of the minority shareholders, reducing the agency conflict. That can be explained with the fact that government in Saudi Arabia peruses companies to pay dividend and act as a monitoring role. This can be because the cultural issue in such a country and that by itself is very interesting finding and shows the difference between the west and Saudi Arabia.

Hence, the Saudi government acts as a good monitoring tool. In addition, we expect the government to force corporate executives to make decisions in the interests of shareholders. Likewise, related to literature review asserted the importance role of government ownership on the managers' decision to distribute dividend. we conclude that the influence of this variable on the investor demand form dividend is opposite, when the board of director composed by an external ownership from state is accompany by a low demand for dividend by investor and vice versa. Consequently, firms with a higher degree of government ownership have less difficulty in financing their investments, allowing them to pay more dividends to shareholders. In emerging markets such as Kuwait, the legal protection of companies is limited and governments are keen to strengthen their reputation and avoid exploiting the rights of minority shareholders. As a result, they end up paying large dividends to these shareholders (Naser et al., 2004). This has been asserted to have a significant effect on the stock exchanges of such developing markets (Naser et al., 2004).

Furthermore, the audit quality variable is positively significant with the catering proxies in Egypt and

UAE, but negatively significant in Saudi Arabia and Kuwait. This means that investor prefers more dividends from firm when their auditor is from big4. Moreover, the dividend payment is a signal of a firm's quality, so firms when paying and increasing their dividend to shareholders often want to prove its high quality. Also, the problem of asymmetric information levels will become higher when the number of analysts for a company is low, so the problem of conflicts interest become higher and dividend expense not encouraged to restrain the problem of underinvestment. The dividend payment is a signal of a firm's quality, so firms when paying and increasing their dividend to shareholders often want to prove its high quality.

Conclusion

This study is built on the predictions of the dividend distribution theory for the catering. It helps shed light on the empirical literature on the scope of investor demand by analyzing the moderating role of corporate governance variables, using a sample of large publicly traded companies from MENA region. In fact, our research is an additional check to see which feature the corporate governance of companies and variable ownership structure moderate investor preference for dividends. This idea has not been taken into account in previous studies, neither theoretically or empirically, but our results confirm the idea that the way in which investors, such as the payment of dividends and incentives for companies to meet these expectations, depends on different key factors. Second, it is moderated by some corporate governance variables such as their board size composition, audit quality, foreign ownership audit quality.

The managers cater more for investor in those firms' high liquidity and profitability more than they cater the firms with less profit and liquidity in those firms' high liquidity and profitability. Second, the board size negatively and positively affects the catering proxies of only those firms with high board size composition, for which investor manifest weaker expectations about demand a higher dividends. Further,

We find that the investor demand for dividend (prevailing dividend (MTB), put more dividend premium (DP) and preference for firms profitability (MTB)) positively affected with the high degree board composition by the foreign ownership. The investor preference for dividend is higher when the board is composed by foreign, these can maker pressure for managers to cater and accept the investor demand for dividend. The audit quality variable plays a key important factor on the catering theory of dividend. Investor preference for dividend is more to decrease and limits the agency problem with the managers of firms.

Moreover, our empirically estimation indicates a different result from our countries.

First, in the Tunisian context we show cash holding, asymmetric information, profitability premium and CEO duality. Secondly, in Morocco the table indicates that cash holding, asymmetric information, board size, ownership concentration and government ownership. Thirdly, in the Egyptian context the principal factor affected the catering proxies are cash holding, CEO, ownership concentration, foreign ownership, government ownership and audit quality. Fourthly, in UAE we conclude that cash holding, board size, CEO, ownership concentration, foreign ownership and audit quality are the key factors in the investor demand for dividend. Fifthly, in Saudi Arabia we find that cash holding, asymmetric information, profitability premium, board size, CEO, ownership concentration, foreign ownership, government ownership and audit quality are the key determinant to explain the catering for dividend. Then, in the Kuwait context, the table asserts that the important factors in the investor preference for dividend are cash holding, CEO, ownership concentration, foreign ownership, government ownership and audit quality.

Corporate governance factors are found not important factors in this context and hence corporate governance environment in the Mena countries and this can due to much reason. Al the countries used in the study are still emerging.

their auditor is from big4. Moreover, the dividend payment is a signal of a firm's quality, so firms when paying and increasing their dividend to shareholders often want to prove its high quality. Also, the problem of asymmetric information levels will become higher when the number of analysts for a company is low, so the problem of conflicts interest become higher and dividend expense not encouraged to restrain the problem of underinvestment. The dividend payment is a signal of a firm's quality, so firms when paying and increasing their dividend to shareholders often want to prove its high quality.

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mechanism play an important on the investor preference for dividend from all our countries from study, but is difference between countries. Further, this difference can be due to different reason;

Corporate governance system is different from different countries mostly between North Africa countries (Tunisia, Morocco and Egypt) and Middle East countries (UAE, Saudi Arabia and Kuwait). 2) Ownership composition from different countries, in the Middle East countries are characterized by a big presence of family and government ownership from their board composition, different to North Africa composed by institutional and foreign ownership. 3) The difference of Ownership Structure from counties; Tunisia and Morocco market are Mutualized, Egypt market is Public institution, UAE and Saudi Arabia and Kuwait market are State-owned(government make pressure on the dividend). Finally, the results assert reveal important differences in the ability of different independent variable to explain the new theory of dividend. The results provide that firm's characteristics and corporate governance play a crucial factor on the investor demand for dividend.

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