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## Revisiting the Determinants of Dividend Payout Ratios: Evidence from Ghanaian Listed Companies

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### Abstract:

*The study used a quantitative research method to investigate thoroughly the whole set of variables that can influence dividend payout decisions of 31 listed companies on the Ghana Stock Exchange.*

*The study covered an eight year period 2009 – 2016. The secondary data for the study was derived from the published annual reports of the listed companies' websites and Annual Reports Ghana website. The extracted data was analysed by using panel data analysis. Ordinary Least Square panel results were discussed in study. The eighteen factors investigated in the study include current ratio, quick ratio, cash ratio, cash needs, firm size, return on asset, growth opportunity, business risk, debt-to-equity ratio, debt ratio, free cash flow, tangibility of asset, corporate tax, return on equity, earnings per share, interest coverage, change in sales, and dividend lagged. The results revealed a positive relationship between dividend payout ratios and current ratio, cash ratio, cash needs, return on asset, business risk, free cash flow, tangibility of asset, corporate tax, earnings per share and dividend lagged. On the other hand, the results of the study also displayed a negative relationship between dividend payout ratio and quick ratio, firm size, growth opportunity, debt-to-equity ratio, debt ratio, return on equity, interest coverage and change in sales. The results of study imply that the major determinant of dividend payout policy decision of listed companies on the Ghana Stock Exchanges is dividend lagged.*

**Keywords:** Ghana stock exchange, listed companies, dividends, determinant, payout

### 1. Introduction

Companies in Ghana are expected to pay dividends to their shareholders after meeting their debt obligations (Ghana Companies Act, 1963). Dividends describe the part of companies profit distributed to its shareholders (Marfo-Yiadom & Agyei, 2011). Dividends payment indicate the income component return shareholders receive on their investment in shares (Zameer, Rasool, Iqbal & Arshad, 2013). The amount of dividend pay to shareholders of listed companies on the Ghana Stock Exchange makes business sense but frustrates investors (Mat, Mokhtar, Ali, Kasim & Zani, 2017). The decisions by board of directors of companies to pay dividends to shareholders are influenced by several factors making dividend payout decision to be among the ten unresolved problems in finance (Manneh & Naser, 2015). The theoretical foundation for research on dividend payout ratios by companies was developed by Miller and Modiglian in 1961. The researchers were of the opinion that dividend policy is irrelevant in measuring the value of the firm since it does not affect share price (Demirgünes, 2015). Thereafter, theories such as the bird-in-the-hand theory, signaling theory, agency theory, free cash flow hypothesis and clientele effect theory were developed to justify the relevance of dividend payment (Marfo-Yiadom & Agyei, 2011). These dividend relevance theories resulted in empirical studies on dividend payout ratios to find out factors that may influence dividend payment (Yusof & Ismail, 2016).

Previous empirical studies on dividend payout ratios in the developed and developing economies including Ghana have revealed tax, current ratio, quick ratio, return on equity, return on asset, financial leverage, ownership structure, age of the firm, firm growth, business risk, firm size, board size, board independence, free cash flow, audit type, investment opportunity, institutional shareholding, dividend lagged and earnings per share as part of determinants and non-determinant of dividend payout ratios (Amidu & Abor, 2006; Lestari, 2018; Mat et.al. 2017; Manneh & Khoury, 2014; Marfo-Yiadom & Agyei, 2011; Malik, Gul, Khan, Rehman and Khan 2013). Previous empirical studies in Ghana on determinants of dividend payout ratios show that those studies were conducted on either the listed companies under the finance sector or the manufacturing sector on the Ghana Stock Exchange but not all the sectors. Also, past studies in Ghana covered financial variables between four and eight. Hence, a study to ascertain the determinants of dividend payout ratios covering all the listed companies under all the various sectors on the Ghana Stock Exchange by using eighteen financial variables is necessary. The purpose of this study is to investigate thoroughly the whole set of variables that can influence dividend payout decisions of all the listed companies under all the various sectors on the Ghana Stock Exchange. This will help to identify the important determinants of dividends payout ratios in Ghanaian context. This study is important since, new companies have been listed on the Ghana Stock Exchange from 2009 – 2016, dividend tax rates, shareholding pattern and macroeconomic conditions have changed in Ghana (Ghana Stock Exchange). Research findings vary across countries, industry and time periods, hence from time to time empirical investigation into factors influencing dividend payout ratio in Ghana is important. This study covers the period from 2009 – 2016 which could be considered as being current and

reflects current changes in Ghana's stock market. The study contributes to existing literature by investigating eighteen financial variables in Ghanaian context.

The results revealed an insignificant positive relationship between dividend payout ratio and current ratio, cash ratio, cash needs, return on asset, business risk, free cash flow, tangibility of asset, corporate tax and earnings per share. Significant positive relationship was identified between dividend payout ratio and dividend lagged. On the other hand, the results of the study also displayed an insignificant negative relationship between dividend payout ratio and quick ratio, firm size, growth opportunity, debt-to-equity ratio, debt ratio, return on equity, interest coverage and change in sales. The implication of this study is that the major determinant of dividend payout policy decision of listed companies on the Ghana Stock Exchanges is dividend lagged.

The rest of the paper is divided into six sections. The first section provides theoretical overview of the study, section two gives the empirical review, the research method used for the study follows in the next section, section four provides the empirical results and discussion, the fifth section presents the conclusions of the study and the last section gives the references used for the entire study.

## 2. Theoretical Overview

Payment of dividends by companies has theoretical justification. Relevance dividend payment theories include bird-in-the-hand theory, signaling theory, agency theory, free cash flow hypothesis and clientele effect theory (Marfo-Yiadom & Agyei, 2011). The bird-in-the-hand theory developed by Lintner in 1956 and supported by Gordon in 1959 holds the idea that investors prefer dividends today to uncertain future capital gain. Hence, investors rank dividends higher than future capital gain when making investment decisions related to stocks (Zameer et al. 2013).

The signaling theory which has its roots from Lintner's (1956) studies on dividends believes that the current financial performance of a company can be displayed to stock investors through dividends payment which may signals the future financial performance of the company (Demirgüneş, 2015). An increase in company's dividend payment either quarterly, semi-annually or annually signals investors of the higher cash flow to be generated by the company in the future as investors have imperfect information concerning the company's future cash flows and capital gains. The theory therefore, suggest that dividends payment can send quality information about the company far at low cost than other alternatives methods the company can use to send such quality information (Amidu & Abor, 2006).

Agency costs of a company has two dimensions. The first dimension of agency costs is the conflict that exist between managers of a company and shareholders of the company whilst the second dimension is the conflict that exist between the shareholders of the company and bondholders of the company (Yusof & Ismail, 2016). Agency costs theory suggests that agency costs in companies can be handled through large dividend payments to shareholders and designing a dividend policy that can increase monitoring by the capital market (Marfo-Yiadom & Agyei, 2011). The theory also holds the view that agency costs can be controlled with high managerial ownership stakes as it will foster good alliance between shareholders and managerial control (Zameer et al. 2013).

Free cash flow hypothesis developed by Jensen in 1986 is a dividend relevance theory that explains how to control conflict between managers and shareholders of a company concerning free cash flow. Funds remaining after a company undertakes all its positive net present value projects are described as free cash flow (Manneh & Naser, 2015). The theory holds the assertion that free cash flow conflict can be easily resolved if it is used to pay dividends to shareholders of the company to serve as a signal to investors that the company do not waste excess cash (Zameer et al. 2013).

The clientele effect theory refers to the possibility of a dividend policy of a company attracting specific investors to invest in the company's stocks. This theory implies that dividend payments of a company attract more investors to invest in the company, hence any changes in the dividends policy of a company will force investor to move their investments into another company (Marfo-Yiadom & Agyei, 2011).

## 3. Empirical Literature

This section of the study focuses on the review of empirical literature relating to the factors effecting the Likelihood of paying dividends by companies. Lintner (1956), investigated corporate dividends behaviour by interviewing personnel of large well established firms in United States of America. The researcher found that: (a) the primary determinants of changes in dividends payout were most recent earnings and past dividends paid to investors; (b) management attached importance to change dividend payout than the amount of money to be paid as dividends; (c) changes in dividend payout were made when management realized they can maintain it; (d) most companies had targeted dividend payout but the speed of adjustment to achieve it differ among the companies; and (e) the impact of investment requirements on dividend behavior was minimal.

Fama and Babiak (1968) did a study on the determinants of dividend payment by individual firms with the aim of testing the validity of the Lintner's model developed in 1956 and other models on dividend policy. The researchers identified that the Lintner's model continued to explain dividend behavior and the other models also perform well in explaining dividend behavior.

In the Ghanaian context, Amidu and Abor (2006), investigation into determinants of dividend payout ratios in Ghana using twenty selected firms on the Ghana Stock Exchange and the ordinary least square model. The researchers established that profitability, tax and cash flow have positive impact on dividend payout whilst risk, institutional holding, sale growth and market-to-book value have negative relationship with dividend payout. The findings of the researchers suggested that profitability, cash flow, sale growth and market-to-book value are important determinants of dividends payout ratios. The researchers' findings supported the theoretical notion that the primary determinant of a company's

ability to pay dividend is profit. Badu (2013), studied determinants of dividend payout of some selected companies on the Ghana Stock Exchange from the period 2005-2009 using the panel data regression analysis. The study found age of the firm, collateral and liquidity as the major determinants of dividend payout.

Patra, Poshak wale and Ow-Yong (2012), examined the determinants of corporate dividend policy of listed firms in Greece from 1993-2007 using the dynamic panel data regression. The researchers found size, profitability, and liquidity to have significant positive effect on dividend payout but identified financial leverage, investment opportunities and business risk to have significant negative relationship with dividend payout. The findings of the researchers supported the signal theory, bird-in-hind theory and agency cost theory.

Nishant, Labhane and Mahakud (2016), used logit regression to analyzed the factors having the likelihood of affecting paying dividends of Indian listed firms covering the period 1994-95 to 2012-13. The study identified that market-to-book ratio, financial leverage, business risk and dividend distribution tax have significant negative relationship with dividend payout whilst firm's maturity, size of the firm, profitability and liquidity have significant positive relationship with dividend payout.

Lesari (2018), studied determinants of dividend payout of 32 manufacturing listed companies in Indonesia covering the period 2011-2015. The researchers use E-views software multiple regression to perform the analysis. The study showed earnings, free cash flow, firm size and lagged dividend have significant impact on dividend payout. However, the study also identify debt, growth opportunities, investment opportunities, largest shareholder, and firm risk to have no significant effect on dividend payout.

#### 4. Research Method

The study used a quantitative research method to investigate thoroughly the whole set of variables that can influence dividend payout decisions of all listed companies on the Ghana Stock Exchange. The study covered eight year period 2009 – 2016. The study targeted all the 38 listed companies on the Ghana Stock Exchange from 2009 – 2016 (Ghana Stock Exchange). Based on the availability of financial data, 31 listed companies representing 79.49 percent were explored. The secondary data for the study was derived from the published annual reports of the listed companies' websites and Annual Reports Ghana website. Dividend pay ratio (DPR) was used as the dependent variable. Eighteen independent variables were used for the study. The independent variables included current ratio (CR), quick ratio (QR), cash ratio (CAR), cash needs (CN), firm size (FS), return on asset (ROA), growth opportunity (GR), business risk (BR), debt-to-equity ratio (DE), debt ratio (DR), free cash flow (FCF), tangibility of asset (TAN), corporate tax (TAX), return on equity (ROE), earnings per share (EPS), interest coverage (INC), change in sales (CS), and dividend lagged (DL).

The relevant financial data concerning the dependent variable and independent variables was extracted from the annual reports of the listed companies. The extracted data was analysed by using panel data analysis. The used of panel data analysis allowed the researcher to tabulate the extracted data on a cross-sectional time periods. The researcher adopted the general panel regression model which was in the form:  $Y_{it} = \alpha_i + \beta X_{it} + e_{it}$  (1)

From model (1) subscript  $i$  represented the cross-section dimension of the data and  $t$  represented the time-series dimension of the data.  $Y_{it}$  represented the dependent variable,  $\alpha_i$  indicated the constant over time  $t$ ,  $\beta$  represented the regression coefficients,  $X_{it}$  represented the independent variables and  $e_{it}$  indicated the errors that may have occurred.

Based on the general panel regression model adopted for the study, the researcher used the following model for the study:

$$\text{DPR}_{i,t} = \beta_0 + \beta_1 \text{CR}_{i,t} + \beta_2 \text{QR}_{i,t} + \beta_3 \text{CAR}_{i,t} + \beta_4 \text{CN}_{i,t} + \beta_5 \text{FS}_{i,t} + \beta_6 \text{ROA}_{i,t} + \beta_7 \text{GR}_{i,t} + \beta_8 \text{BR}_{i,t} + \beta_9 \text{DE}_{i,t} + \beta_{10} \text{DR}_{i,t} + \beta_{11} \text{FCF}_{i,t} + \beta_{12} \text{TAN}_{i,t} + \beta_{13} \text{TAX}_{i,t} + \beta_{14} \text{ROE}_{i,t} + \beta_{15} \text{EPS}_{i,t} + \beta_{16} \text{INC}_{i,t} + \beta_{17} \text{CS}_{i,t} + \beta_{18} \text{DL}_{i,t} + e_{i,t}$$

where:

$\text{DPR}_{i,t}$  = cash dividends/total assets for company in  $i$  in period  $t$ ;

$\text{CR}_{i,t}$  = total current assets/total current liabilities for company in  $i$  in period  $t$ ;

$\text{QR}_{i,t}$  = (total current assets – inventory)/total current liabilities for company in  $i$  in period  $t$ ;

$\text{CAR}_{i,t}$  = cash/total current liabilities for company in  $i$  in period  $t$ ;

$\text{CN}_{i,t}$  = (inventory + debtors – creditors)/total assets for company in  $i$  in period  $t$ ;

$\text{FS}_{i,t}$  = natural log of total assets for company in  $i$  in period  $t$ ;

$\text{ROA}_{i,t}$  = earnings before interest and tax/total assets for company in  $i$  in period  $t$ ;

$\text{GR}_{i,t}$  = 1 year growth rate in total assets for company in  $i$  in period  $t$ ;

$\text{BR}_{i,t}$  = standard deviation of operating income differences/total assets for company in  $i$  in period  $t$ ;

$\text{DE}_{i,t}$  = total debt/total equity for company in  $i$  in period  $t$ ;

$\text{DR}_{i,t}$  = total debt/total asset for company in  $i$  in period  $t$ ;

$\text{FCF}_{i,t}$  = net operating cash flow/total assets for company in  $i$  in period  $t$ ;

$\text{TAN}_{i,t}$  = net fixed assets/total assets for company in  $i$  in period  $t$ ;

$\text{TAX}_{i,t}$  = corporate tax/profit before tax for company in  $i$  in period  $t$ ;

$\text{ROE}_{i,t}$  = earnings before interest and tax/total equity for company in  $i$  in period  $t$ ;

$\text{EPS}_{i,t}$  = net profit/total equity for company in  $i$  in period  $t$ ;

$\text{INC}_{i,t}$  = earnings before interest and tax/interest expenses for company in  $i$  in period  $t$ ;

$\text{CS}_{i,t}$  = (current sales – previous sales)/previous sales for company in  $i$  in period  $t$ ;

$\text{DL}_{i,t}$  = previous dividends payment for company in  $i$  in period  $t$ ;

Based on the reviewed of theoretical and empirical studies conducted by other researchers on the determinants of dividend payout ratios, the researcher hypothesized the following relationships between the dependent variable and independent variables used for this study:

- Current ratio (CR), quick ratio (QR), cash ratio (CAR), firm size (FS), return on asset (ROA), free cash flow (FCF), tangibility of asset (TAN), return on equity (ROE), earnings per share (EPS), and dividend lagged (DL) are expected to have positive relationship with dividend payout ratio;
- Cash needs (CN), growth opportunity (GR), business risk (BR), debt-to-equity ratio (DE), debt ratio (DR), corporate tax (TAX), interest coverage (INC), change in sales (CS) are expected to have negative relationship with dividend payout ratio.

## 5. Empirical Results and Discussion

### 5.1. Summary Statistics

Table 1 shows the descriptive statistics of the dependent variable and all the eighteen independent variables used for this study. The mean values, standard deviation values, minimum values and maximum values of the indicators of the variables computed from the company's financial statements were displayed on table 1. The results displayed mean figures of 39.63 percent for dividend payout ratio, 45.31 percent for cash ratio, 39.41 percent for return on assets, 52.04 percent for growth opportunity and 22.08 percent for business risk. The results indicate that on average 39.63 percent of the listed companies on the Ghana Stock Exchange profits were used to pay dividends between the period of 2009 and 2016. The results also imply that on average, the listed company's used 45.31 percent of their cash to cover their current liabilities, used 39.41 percent of their assets to generate profit, the listed company's assets grew at 52.04 percent and their business risk stood at 22.08 percent from 2009 – 2016.

The results also showed a minimum value of 0.0000 percent and a maximum value of 184.0000 percent for dividend payout ratio. This minimum value means that some of the listed companies did not pay dividends in some of the years from 2009 – 2016 whilst, the highest dividend paid by the listed companies in some of the years from 2009 -2016 was 184.0000 percent.

Variable	Mean	Standard Deviation	Minimum	Maximum
Dividend Pay Ratio	0.3963	0.1286	0.0000	1.8400
Current Ratio	2.0556	9.9069	0.0000	150.0000
Quick Ratio	1.5822	9.9037	-10.2400	150.0000
Cash Ratio	0.4531	0.7802	0.0000	4.7700
Cash Needs	-9.5198	119.2551	-711.1000	1152.9000
Firm Size	14.9757	6.1447	0.0000	90.1200
Return On Asset	0.3942	0.8723	-1.0900	5.3800
Growth Opportunity	0.5204	1.9691	-0.9900	15.1700
Business Risk	0.2208	0.3303	0.0000	1.6300
Debt-To-Equity Ratio	38.7098	526.0627	-41.73	8016
Debt Ratio	0.8926	1.3689	0.0800	10.0100
Free Cash Flow	-0.0939	3.4298	-52.0000	1.7800
Tangibility Of Asset	0.4930	0.9822	0.0000	8.9100
Corporate Tax	0.2326	2.4556	-17.6800	23.7100
Return On Equity	2.3200	8.6897	-20.7100	92.000
Earnings Per Share	4.1372	17.5712	-1.0300	170.9000
Interest Coverage	95.0391	407.2921	-4.1600	5352.2100
Change In Sales	0.3398	1.9178	-0.9900	22.7800
Dividend Lagged	1328783.0000	5042851.0000	0.0000	52409507.0000

Table 1: Descriptive Statistics

### 5.2. Regression Results

The researcher run the various options (random effects, fixed effects and the Ordinary Least Square panel) regression provided by the Stata Statistical Software. Table 2 displayed the regression results revealed by the Ordinary Least Square panel which the researcher identified to be the most robust among the various regression options run. Table 2 showed the results of relationship that existed between dividend payout ratio and current ratio, quick ratio, cash ratio, cash needs, firm size, return on asset, growth opportunity, business risk, debt-to-equity ratio, debt ratio, free cash flow, tangibility of asset, corporate tax, return on equity, earnings per share, interest coverage, change in sales, and dividend lagged between 2009 and 2016. The independent variables level of significance in explaining the dependent variable was tested at 95% confident interval. Therefore, coefficients of the independent variables are statistically significant when  $P < 0.05$  and statistically insignificant when  $P > 0.05$  (Amidu & Abor, 2006).

Variable	Coefficient	t-statistic	P> t
Current Ratio	0.0010	0.12	0.901
Quick Ratio	-0.0009	-0.11	0.909
Cash Ratio	0.0014	0.12	0.904
Cash Needs	0.0000	0.62	0.538
Firm Size	-0.0013	-0.91	0.362
Return On Asset	0.0113	0.92	0.358
Growth Opportunity	-0.0025	-0.54	0.587
Business Risk	0.0124	0.43	0.664
Debt-To-Equity Ratio	-0.0000	-0.11	0.911
Debt Ratio	-0.0022	-0.24	0.813
Free Cash Flow	0.0005	0.22	0.828
Tangibility Of Asset	0.0140	1.08	0.282
Corporate Tax	0.0036	1.02	0.307
Return On Equity	-0.0005	-0.48	0.629
Earnings Per Share	0.0002	0.36	0.718
Interest Coverage	-0.0000	-0.26	0.799
Change In Sales	-0.0014	-0.31	0.759
Dividend Lagged	0.0000	2.66	0.008
R-Squared	0.0562		
F-Statistic	0.71		
Prob > F	0.8042		

Table 2: Regression Results

The study found a positive relationship between dividend payout ratios and current ratio. This relationship suggests that as companies profit increases their dividend payout ratios also increase. This evidence supports the researcher's hypothesis of a positive relationship. However, this positive relationship is statistically insignificant which indicates that current ratio is not an important determinant of dividend payout ratios.

From the results, quick ratio is negatively related to dividend payout ratios and statistically insignificant in explaining dividend payout ratios. This result rejects the researcher's hypothesis of positive association. The findings imply that companies with high quick ratio pay lower dividends but companies with low quick ratio pay higher dividends which is contrary to existing literature. Malik et al. (2013) reported consistent findings on the relationship between dividend payout ratios and current ratio and quick ratio but reported contradictory findings on the level of significant on both variables.

The results displayed a positive but statistically insignificant relationship between cash ratio and dividend payout ratios. The results affirm the researcher's hypothesis of positive effect. This indicates that the higher the cash position of companies the higher they pay dividends.

The researcher's hypothesis was rejected by the positive relationship revealed between cash needs and dividend payout ratios. Cash needs was also found to be statistically insignificant in explaining dividend payout ratios. The results explain that companies that need more cash for operational and investment activities pay higher dividend but pay lower dividends when they do not need cash. This findings contradicts the previous findings of Patra et al. (2012).

Dividend payout ratios was found to be negatively related to firm size. This revelation rejects the researcher's hypothesis. The results show that firm size is not an important determinant of dividend payout ratios. This result imply that firms with large assets pay low dividends whilst firms with lower assets pay higher dividends. This result appears to be consistent with the result reported by Zameer et al. (2013).

The results showed a positive relationship between return on asset and dividend payout ratios as indicated in the researcher's hypothesis. However, the result implies that return on asset is considered as statistically insignificant in explaining dividend payout ratios. The results mean that companies pay more dividends when their return on asset is high but pay low dividends when their return on asset in low which is coherent with the result of Badu (2013).

In supporting the researcher's hypothesis the study found growth opportunity to be negatively related to dividend payout ratios. This indicates that companies prefer using their cash to meet their growth opportunities in expanding their assets rather than using it to pay dividends. Hence, companies pay lower dividends when their growth opportunities are high and pay low dividends when their growth opportunities are low. Lestari (2018); Zameer et al. (2013) and Badu (2013) reported consistent findings on growth opportunity.

The results depicted a positive association between business risk and dividend payout ratios which rejects the researcher's hypothesis. The statistically insignificant nature of business risk in explaining dividend payout confirms that this result is contrary to existing literature because no company will pay higher dividends when the company identifies that their operating income is not stable and pay lower dividends when they find their operating income to be stable. The findings of this study is consistent with the empirical studies conducted by Maladjian and Khoury (2014).

The results of the study displayed that both debt-to-equity ratio and debt ratio have negative relationship with dividend payout ratios. These indicate that when companies' debt-to-equity ratio is high they pay low or no dividends but pay high dividends when their debt-to-equity ratio is low. Again, companies pay low dividends when their debt outweighs their

total asset but pay higher dividends when it is low. These results agree with the researcher's hypothesis of negative relationship but the two variables are statistically insignificant in explaining dividend payout ratios. Gill, Biger and Tibrewala (2010) found similar findings on debt-to-equity ratio. Mat et. Al. (2017); Manneh and Naser (2015) and Zameer et al. (2013) also reported similar findings about debt ratio.

The study revealed that dividend payout ratios is positively related to free cash flow, tangibility of asset and corporate tax. These results support the researcher's hypotheses on free cash flow and tangibility of asset but reject the hypothesis on corporate tax. The results of the study confirm existing literature that companies with free cash flow and tangible asset will prefer paying higher dividends to low dividends payment. The results on tangibility of assets and corporate tax is similar to the result discovered by Banerjee and De (2015) and Amidu and Abor (2006) respectively. Return on equity was found to be statistically insignificant negatively related to dividend payout ratios rejecting the researcher's hypothesis. This means that the lower companies return on equity the higher the dividends companies pay but the higher their return on equity the lower the dividends company pay which is contrary to existing literature. Hence, it is not surprising this variable is statistically insignificant in explaining dividend payout ratios. The negative relationship between return on equity and dividend payout ratios is consistent with the findings of Maladjian and Khoury (2014) and Baah, Tawiah and Opoku (2014) but the result of statistically insignificant is inconsistent with the result found by Maladjian and Khoury (2014) and Baah et al. (2014).

The results showed a positive relationship between dividend payout ratios and earnings per share affirming the researcher's hypothesis. This result imply that the higher the earnings generated by shareholders' funds the higher the dividends they received. On the other hand, the lower the earnings generated by shareholders' funds the lower the dividends they received. However, this variable is also statistically insignificant to explain dividend payout ratios. The result appears to be consistent with the result of Baah et al. (2014).

From the results interest coverage and changes in sales were identified to have negative relationship with dividend payout ratios. These results support the hypotheses the researcher developed for these two variables. The findings imply that as companies pay more interest on their capital the lower their dividends payment but pay higher dividends when they pay low interest on their capital. Moreover, if companies' sales are not stable they pay lower dividends but pay higher dividends when their sales are stable. However, the results indicate that these two variables are cannot explain dividend payout ratios. This paper findings on interest coverage contradicts the findings of Benerjee and De (2015). On the other hand, the result discovered on change in sale is similar to the result identified by Malik et al. (2013) and Gill et al. (2010).

The results of the study displayed a positive and statistically significant relationship between dividend lagged and dividend payout ratios affirming the researcher's hypothesis. The result indicates that companies depend on their previous dividend before deciding on their current dividend payment. Dividend lagged is the only variable found by the study to provide best explanation for dividend payout ratios. This result is consistent with the findings reported previously by Lestari (2018); Maladjian and Khoury (2014); Zameer et al. (2013) and Imran (2011).

## 6. Conclusions

The study used a quantitative research method to investigate thoroughly the whole set of variables that can influence dividend payout decisions of 31 listed companies on the Ghana Stock Exchange. The study covered an eight year period 2009 - 2016. The secondary data for the study was derived from the published annual reports of the listed companies' websites and Annual Reports Ghana website. The extracted data was analysed by using panel data analysis. Ordinary Least Square panel results were discussed in study. The results revealed a positive relationship between dividend payout ratio and current ratio, cash ratio, cash needs, return on asset, business risk, free cash flow, tangibility of asset, corporate tax, earnings per share and dividend lagged. On the other hand, the results of the study also displayed a negative relationship between dividend payout ratio and quick ratio, firm size, growth opportunity, debt-to-equity ratio, debt ratio, return on equity, interest coverage and change in sales. The results of study imply that the major determinant of dividend payout policy decision of listed companies on the Ghana Stock Exchanges is dividend lagged. This results indicate that Ghanaian listed companies' decision to pay current dividend depends on their previous dividend payment. From the findings of this study the researcher suggests that future studies should investigate the effect of non-financial factors on dividend payout ratios of listed companies on the Ghana Stock Exchange since the financial factors investigated in this study could explain only 5.62% of dividend payout ratios of the listed companies.

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