ISSN: 2146-3042
DOI: 10.25095/mufad.1064148

The Effect of Corporate Governance on Firm Dividend Policy: Evidence from Ghana*

İbrahim Nandom YAKUBU**
Ayhan KAPUSUZOĞLU***
Nildağ Başak CEYLAN****

ABSTRACT

The purpose of this research is to reveal at the influence of board independence on dividend policy of firms listed on the Ghana Stock Exchange. We employ a panel dataset covering the period 2008-2018 and apply the generalized method of moments technique. The results reveal that dividend per share is positively and significantly driven by board independence. We also find that larger audit committees are more likely to result in higher dividend payouts. On the other hand, frequent board meetings and remuneration committees reduce dividend payments. We further document that firm age has a significant positive impact on dividend payment. The findings suggest that increasing the proportion of non-executive directors will help preserve shareholders' interest by allowing for higher dividend payments.

Keywords: *Corporate Governance, Board Independence, Dividend Policy, GMM, Ghana.*

Jel Classification: *G30, G34, G35.*

Kurumsal Yönetimin Firma Temettü Politikası Üzerindeki Etkisi: Gana Örneği

ÖZET

Bu çalışmanın amacı, yönetim kurulu bağımsızlığının Gana Menkul Kıymetler Borsası'nda işlem gören firmaların temettü politikası üzerindeki etkisinin ortaya konulmasıdır. 2008-2018 dönemini kapsayan çalışmada, panel veri analizi yapılarak genelleştirilmiş momentler yöntemi uygulanmıştır. Çalışmanın bulguları incelendiğinde, hisse başına temettü ödemesi üzerinde yönetim kurulu bağımsızlığının istatistiksel olarak anlamlı ve pozitif bir etkiye sahip olduğu ayrıca, denetim komiteleri büyüdükçe şirketlerin verdikleri temettü miktarının da daha fazla olmasının olası olduğu ortaya konulmuştur. Ek olarak, yönetim kurulu ve ücret komitelerinin toplantı sıklığının da, temettü ödemelerini azalttığı ayrıca, firma yaşının temettü ödenmesi üzerinde pozitif ve istatistiksel olarak anlamlı bir etkisi olduğu bulunmuştur. Çalışmanın bulguları, harici üst düzey yöneticilerin oranının artırılmasının, daha yüksek temettü ödemelerine izin verilmesine ve böylelikle hissedarların çıkarlarının korunmasına yardımcı olacağını göstermektedir.

Anahtar Kelimeler: *Kurumsal Yönetim, Yönetim Kurulu Bağımsızlığı, Temettü Politikası, GMY, Gana.*

JEL Sınıflandırması: *G30, G34, G35.*

---

* This study was presented at 8th International Congress on Accounting and Finance Research held between 4th-7th of November 2021, Malatya, Turkey and only the abstract was published in the Conference Abstract Book.
Makale Gönderim Tarihi: 27.01.2022, **Makale Kabul Tarihi:** 02.03.2022, **Makale Türü:** Nicel Araştırma
** Ph.D. Student, Ankara Yildirim Beyazıt University, kassiibrahim@gmail.com, ORCID:0000-0003-4424-996X.
*** Prof. Dr., Ankara Yıldırım Beyazıt University, akapusuzoglu@ybu.edu.tr, ORCID:0000-0002-4280-3827.
**** Prof. Dr., Ankara Yildirim Beyazit University, nbceylan@ybu.edu.tr, ORCID:0000-0003-3128-8863

1. INTRODUCTION

Dividend policy is perhaps one of the most widely disputed topics in corporate finance. It has indeed inspired a lot of theoretical modelling and empirical investigations from researchers in finance. Notwithstanding the considerable scholarly research and discourse, the rationale for corporate dividend payment is still a bit of a puzzle as proclaimed by Black (1976: 5). Similarly, Brealey and Myers (2003) conclude that dividend policy is among the most noticeable baffling issues in finance. Over decades, research on dividend policy has primarily focused on developed economies. In recent years, however, due to capital market development and increased investment in emerging and developing economies, dividend policy research has gained significant interest in these markets exacerbating the dividend puzzle (Al-Najjar and Kilincarslan, 2019: 205).

Determining an appropriate dividend policy by firms remains contentious and requires judgment on the part of corporate decision-makers. There is growing consensus that no single factor explains firm dividend payment (Amidu and Abor, 2006: 136). In addition to extant dividend theories, prior research has demonstrated that a firm's dividend decision is impacted by a range of firm-level factors (see Yusof and Ismail, 2016; Jaara et al., 2018; Baker et al., 2019; Yakubu, 2019; Paramita, 2020; Bakri and Abd Jalil, 2021; Hartono et al., 2021; Kuswanto and Kharisma, 2012; Tinungki et al., 2022). However, a key area that has gained less scholarly attention is the influence of corporate governance on firms' dividend payment policy despite the fact that corporate governance is essential to firms' sustainability.

The purpose of this research is to extend the discussion on dividend policy determinants, particularly in the realm of developing economies by examining how board independence affects the firm dividend policy of Ghanaian listed companies. In recent years, there has been an increase in investment in Ghanaian companies by multinational corporations and investors. Also, there have been many calls for the best corporate governance practices of firms in Ghana given the fact that shareholders are significantly affected by how firms are governed. The efforts to enhance the corporate governance systems have been fruitful with the enactment of the Corporate Governance Code and other industry-specific guidelines for best practices. The question remains: does the recent improvement in the corporate governance system in Ghana serve corporate shareholders' interests? This study attempts to provide answers to this question by examining how corporate governance mechanisms, specifically board independence influences dividend payments to shareholders. The independence of the board of directors is among the most important corporate governance measures which ensure the integrity of corporate boards, quality of decision making, and long-term corporate performance.

Arguably, corporate success is largely dependent on how corporate boards are structured. In Ghana, a company's board size should ideally range from eight executives to sixteen board members according to Ghana's Corporate Governance Code (Botchway and Quaye, 2021). It is required that firms create a balanced board composed of both corporate executives and independent directors, with approximately 30 percent as non-executive members. With registered financial entities, the Bank of Ghana mandates that a board should comprise five to thirteen directors and that independent directors must constitute the largest portion of the board.

We argue that since the final decision on dividends rests on the corporate board, the composition of a company's board, especially non-executive directors can greatly overshadow managerial decisions that could potentially affect dividend policy. By definition, non-executive directors, also known as outside directors or independent directors are members of the corporate board who provide independent advice to the corporation and have no responsibility in the daily operations of the firm (https://corporatefinanceinstitute.com, 06.02.2022). Non-executive directors as entrusted by shareholders help mitigate the agency problem in the firm by pursuing shareholders' interests. Agitating for higher dividend payment is one of the approaches by which independent directors can serve shareholders' interests and also curtail the agency problem between managers and corporate owners (Bathala and Rao, 1995: 59). In this study, we seek to find out whether increasing the proportion of non-executive directors leads to higher dividend payouts among listed firms in Ghana.

Our study mainly contributes to the insufficient attempts on the corporate governance-dividend payout nexus in developing economies, specifically the link between board independence and dividend payment. Besides, in the Ghanaian context, there is scanty research on how dividend policy is influenced by corporate governance variables. The empirical works of Bokpin (2011) and Asamoah (2011) are notable studies that have examined the effect of corporate governance on dividend payment in Ghana. While Bokpin (2011) found no significant link between board independence and dividend payment, Asamoah (2011) established a significant negative impact of independent directors on dividend payout. Apart from the contradictory findings, both studies employed the traditional panel analytical approaches, which are prone to endogeneity issues and lead to biased conclusions. The authors also relied on few firms with short sample periods. This study thus aims to advance the works of Bokpin (2011) and Asamoah (2011) on the link between corporate governance and dividend policy by utilizing a recent dataset of Ghanaian quoted firms. By applying the dynamic generalized method of moments (GMM) technique, we overcome any possible endogeneity problems in the study.

The outline for the remainder of the paper is as follows: Section 2 focuses on the literature review. The data and methodology are discussed in the third section. Section 4 presents the empirical findings and Section 5 wraps up the paper with conclusions.

2. LITERATURE REVIEW

2.1. Theoretical Background

In an attempt to resolve the dividend puzzle, several theories have been proposed and empirically tested. In this section, we discuss some of these theories in the literature. We begin with Miller and Modigliani's (1961) dividend irrelevance theory. With the assumption that capital markets are perfect, this theory argues that dividend payment is irrelevant and adds no value to firms. According to the theory, a firm's current market value is driven by its ability to generate more profits and not by how income is distributed. Also, the theory asserts that dividend payments are detrimental to firm growth since such cash outflows could be reinvested to earn more returns for the firm.

Contrary to the irrelevancy hypothesis, other theories for instance the bird-in-the-hand proposition acknowledge that dividend payments matter for firm value and significantly improve the wealth of shareholders. The theory is predicated on the premise that investors tend to favour dividend payments over capital gains given the fact that capital gains are uncertain. Dividend payments therefore increase shareholders' value by lessening their income (cash inflow) uncertainties. In essence, the theory asserts that for firms to increase their value it is essential to increase dividend payments to shareholders (Gordon, 1959: 99).

The signalling theory is another commonly discussed theory in dividend studies. It contends that information asymmetry exists between corporate managers and investors, where outside investors can only access public information about the firm. Dividend payment is used by managers to communicate to prospective investors about the present state of the firm as well as its future prospects. Firms that are optimistic that they will perform well in the future have a higher tendency to pay more dividends. Conversely, firms without higher performance prospects refrain from such higher payouts. As a result, investors tend to invest in firms with higher dividend payment policies.

In addition, the agency theory by Jensen and Meckling (1976) has been considerably deliberated in the studies of dividend behaviour. The theory explains the main problems arising in the corporation owing to separating control or management and firm ownership. In the perspective of dividend policy, the agency theory holds that corporate managers may tend to pursue a dividend policy to favour their personal interests rather than adopting a policy that maximizes corporate shareholders' value. The theory therefore suggests that higher cash flow firms can reduce the amount of cash available for managers by paying higher dividends to shareholders. This helps in mitigating agency conflicts and increases corporate value. The theory views board independence as one of the effective mechanisms for overseeing managers' activities, and so eliminating agency issues in the firm.

2.2. Empirical Studies on the Impact of Board Independence on Dividend Policy

The extant literature on board independence and dividend payment relationship is quite scanty and provides conflicting results. Some studies evidenced that board independence enhances firm dividend policy. For instance, applying the random effect panel technique, Setia-Atmaja (2010) finds that increasing the ratio of independent directors leads to higher dividend payments of family-controlled firms in Australia. Al Shabibi and Ramesh (2011) establish that dividend payment of non-financial companies in the UK is positively influenced by board independence. Ranti (2013) evidences a positive influence of independent directors on dividend payout of quoted Nigerian firms. Riaz et al. (2016) report a positive effect of board independence on the dividend distribution of financial and non-financial firms in Pakistan. Employing the fixed effects method with data of non-financial firms, Tahir et al. (2020) document a positive impact of board independence on the payment of dividends in Malaysia. Kilincarslan (2021) finds that board independence strongly influences the dividend decisions of family firms in Turkey. Alshabibi et al. (2021) show a positive significant influence of board independence on payout policy in Oman over the period 2009-2019.

Contrary to the preceding evidence, Asamoah (2011) in the case of Ghana find a significant negative impact of independent executives on dividend payment. Shehu (2015) also notes that the presence of independent directors reduces firms' dividend distribution in

Malaysia. Using the logistic regression technique and a sample of firms in the US, Thompson and Manu (2021) report that board independence has a detrimental impact on dividend payment. According to Boshnak (2021), board independence diminishes the proclivity of firms in Saudi Arabia to issue dividends. Other studies (see Bokpin, 2011; Ajanthan, 2013; Elmagrhi et al., 2017; Siregar et al., 2022) document that the independence of corporate boards has no significant effect on cash dividend payment.

In Table 1, we provide a summary of the empirical studies on the impact of board independence on firm dividend policy.

Table 1: Empirical Studies on Board Independence and Dividend Payout Nexus

Author(s)	Country	Technique	Results
Al-Najjar and Hussainey (2009)	UK	Tobit and logit regression	Negative
Setia-Atmaja (2010)	Australia	Random effect	Positive
Al Shabibi and Ramesh (2011)	UK	OLS	Positive
Asamoah (2011)	Ghana	Logistic regression	Negative
Bokpin (2011)	Ghana	Fixed effect	No relationship
Ranti (2013)	Nigeria	Regression	Positive
Ajanthan (2013)	Sri Lanka		No relationship
Musiega et al. (2013)	Kenya	OLS	Negative
Shehu (2015)	Malaysia	OLS	Negative
Uwalomwa et al. (2015)	Nigeria	OLS	Positive
Riaz et al. (2016)	Pakistan	OLS	Positive
Shahid et al. (2016)	Pakistan and India	OLS and fixed effect	Positive
Elmagrhi et al. (2017)	UK	2SLS and fixed effect	No relationship
Pahi and Yadav (2018)	India	Tobit and logit regression	Negative
Rajput and Jhunjhunwala (2019)	India	Tobit and logit regression	Positive
Tahir et al. (2020)	Malaysia	Fixed effect	Positive
Aziza et al. (2020)	Indonesia	Multiple regression	Positive
Kilincarslan (2021)	Turkey	Random effect	Positive
Thompson and Manu (2021)	USA	Fixed and logistic regression	Negative
Alshabibi et al. (2021)	Oman	OLS	Positive
Boshnak (2021)	Saudi Arabia	OLS, 2SLS, and random effect	Negative
Nazar (2021)	Sri Lanka	GMM	Negative
Farooque et al. (2021)	Australia	Random effect and OLS	Positive
Amedi and Mustafa (2021)	Jordan	PCSE	Positive
Siregar et al. (2022)	Southeast Asia	Fixed effect	No relationship

Notes:
OLS – Ordinary Least Squares
2SLS – Two-stage Least Squares
GMM – Generalized Method of Moments
PCSE – Panel Corrected Standard Errors

3. RESEARCH METHODOLOGY

3.1. Data Set

In Ghana, there are 42 companies listed on the stock exchange. However, due to limited data availability, the data for this study is drawn from thirty (30) companies that are actively listed on the Ghana Stock Exchange, and it covers the period 2008 to 2018. The sampled companies comprise both firms operating in the financial and non-financial sectors.

Twelve (12) of the firms are in the financial sector while the rest of the eighteen (18) firms are non-financial and operate in the real sector. The data is extracted from the annual reports of the companies covering the study period.

3.2. Variables and Hypotheses

3.2.1. Dependent Variable

Dividend policy is the dependent variable. Following prior studies (Imran, 2011; Gul et al., 2012; Ansar et al., 2015; Farrukh et al., 2017), we use dividend per share in Ghana cedis as a proxy for dividend policy.

3.2.2. Independent Variables

Board independence is the main independent factor in our analysis. Other board characteristics in the study include remuneration committee, board meetings, and audit committee size. We also controlled for the age of the firm. The definitions and expected relationships between these variables and dividend policy are given below.

3.2.2.1. Board Independence

Theoretically, both the agency and the resource dependency theories advocate for more independent executives on the corporate board. As stipulated by the agency theory, increasing the number of non-executive members ensures proper monitoring of managers' activities and resolves the agency problem (Jensen and Meckling, 1976: 305). Outside directors form the backbone of the corporate board due to their immense expertise and experience. Outside directors ensure that shareholders' interests are served including higher dividend payouts. Most of the extant studies show that dividend policy is directly influenced by board independence (Shahid et al., 2016; Kilincarslan, 2021; Alshabibi et al., 2021; Farooque et al., 2021; Amedi and Mustafa, 2021). Board independence is the proportion of independent executives on a company's board. We anticipate that board independence will have a positive effect on dividend payment.

H_1: Board independence positively influences dividend policy.

3.2.2.2. Remuneration Committee

Remuneration is the monetary and non-monetary compensation that a company's executive or an employee receives for performing their duties. This takes the form of salaries or wages, commissions, bonuses, incentives, etc. The remuneration committee is tasked with the responsibility of designing an adequate reward scheme that inspires corporate executives to work diligently to accomplish shareholders' interests. The remuneration committee is committed to ensuring that the agency problem affecting directors' compensation is adequately addressed. Although the impact of remuneration committee is inadequately examined in the literature, the study anticipates the presence of a remuneration committee to positively drive dividend payout policy. In measuring remuneration committee, we use a dummy variable. That is, 1 if a company has a remuneration committee and 0 for otherwise.

H_2: Remuneration committee and dividend policy are positively related.

3.2.2.3. Board Meetings

The frequency of meetings is determined by the number of meetings the board held annually. Eluyela et al. (2018) indicated that frequent board meeting is an essential mechanism for monitoring corporate activities. Also, frequent board meetings demonstrate board effectiveness, which is likely to reduce agency costs and enhance dividend payments to shareholders (Alshabibi et al., 2021: 218). Riaz et al. (2016) and Boonyanet and Promsen (2020) reveal that regular board meetings lead to higher dividend payments. Following these arguments, a positive impact of board meetings on firm dividend payout is assumed.

H_3: Board meetings positively affect a firm’s dividend policy.

3.2.2.4. Audit Committee Size

To enhance financial reporting quality, firms need to create a strong audit committee (Razaee, 2008: 1). A larger audit committee can effectively enhance monitoring and also constrain the unscrupulous practices of corporate managers, and this may contribute significantly to serving shareholders’ interests. Hence, a positive impact of audit committee size on firm dividend payment is expected. The audit committee size is considered as the number of directors constituting the committee.

H_4: Audit committee size and dividend policy are positively related.

3.2.2.5. Firm Age

In measuring firm age, we use the operating period of a firm since its inception. According to the maturity hypothesis, older firms often have stable revenue and fewer investment prospects, allowing them to maintain more funds (DeAngelo et al., 2006: 227). So, they might indeed pay more cash dividends than younger firms. We therefore hypothesize that firm age should positively affect dividend payment.

H_5: The older a firm is the more dividends it pays out.

3.3. Model Specification

The panel regression model is expressed in its generic form as follows:

$$Y_{it} = \alpha + \beta X_{it} + \varepsilon_{it} \qquad \textbf{(1)}$$

The subscript *i* indicates the cross-sectional dimension of the firms and *t* is time period. The dependent variable is represented by Y and X denotes the explanatory or independent factors. The coefficient of the regressors and the error term are symbolized by β and ε respectively.

To analyze the link between board independence and the other explanatory variables on dividend policy, the following empirical model is specified:

$$DIV_{it} = \alpha + \beta_1 BIND_{it} + \beta_2 REMC_{it} + \beta_3 BMET_{it} + \beta_4 ACSIZE_{it} + \beta_5 AGE_{it} + \varepsilon_{it} \qquad \textbf{(2)}$$

The acronyms DIV, BIND, REMC, BMET, ACSIZE, and AGE are dividend payout, board independence, remuneration committee, board meeting, audit committee size, and firm age respectively. As a means of dealing with endogeneity problems, we estimate the model adopting the generalized method of moments (GMM) technique by Arellano and Bond (1991: 277). Another important reason for using the GMM technique is that a lagged value of the dependent variable can be included in the model as an independent variable. In this case, equation (2) is respecified as follows to include the lag of the dependent variable.

$$DIV_{it} = \alpha DIV_{it-1} + \beta_1 BIND_{it} + \beta_2 REMC_{it} + \beta_3 BMET_{it} + \beta_4 ACSIZE_{it} + \beta_5 AGE_{it} + \varepsilon_{it} \quad \textbf{(3)}$$

4. EMPIRICAL RESULTS

4.1. Descriptive Statistics

Table 2 depicts the data summary statistics. The study observes that Ghanaian firms on average pay 0.129 pesewas as dividends and the maximum dividend per share value is 6.570 Ghana cedis. The average of members constituting non-executive directors is 6 with a maximum of 12. This indicates that non-executive directors represent a reasonable portion of the corporate boards of listed firms in Ghana. Generally, the boards meet 5 times a year on average and a maximum of 27 meetings in a calendar year. The firms on average have 4 members on the audit committee.

Table 2: Descriptive Statistics

	DIV	BIND	REMC	BMET	ACSIZE	AGE
Mean	0.129	6.321	0.403	4.825	3.862	41.830
Maximum	6.570	12.000	1.000	27.000	9.000	122.000
Minimum	0.000	2.000	0.000	4.000	2.000	0.000
Std. Dev.	0.500	2.082	0.491	2.478	1.150	22.714

4.2. Correlation and Multicollinearity Analysis

Table 3 presents a summary of the correlation analysis. In addition, the variance inflation factor (VIF) analysis is carried out to determine whether or not there is multicollinearity. Overall, it can be observed that the variables are weekly associated. That is, the correlation coefficients are very low. As a general rule, multicollinearity is evidenced by a VIF value above 10 and a tolerance value below 0.1 (Yakubu, 2019: 8). From the analysis, we infer that there is no multicollinearity problem since the values of the VIFs for each of the independent variables are low and the tolerances are within acceptable limits.

Table 3: Correlation and Multicollinearity Analysis Results

	DIV	BIND	REMC	BMET	ACSIZE	AGE
DIV	1.000					

BIND	-0.003	1.000				
REMC	0.048	0.384	1.000			
BMET	-0.031	0.287	0.203	1.000		
ACSIZE	0.055	0.357	0.295	0.284	1.000	
AGE	-0.102	-0.271	-0.446	-0.085	-0.201	1.000
VIF		1.33	1.42	1.14	1.23	1.27
Tolerance		0.754	0.705	0.874	0.811	0.786

4.3. Regression Analysis Results

The GMM analytical approach is used in this study and the results are reported in Table 4. Before delving into the key findings, we briefly discuss the diagnostic tests. The Sargan test results demonstrate that the research instruments are valid. From the Wald tests results, we conclude that our model is fit and significant. In addition, the Arellano and Bond (AR) tests indicate that there is no autocorrelation in our analysis, thus confirming the reliability of our model.

Table 4: Regression Analysis Results

Variables	**GMM Estimates**
Dividend Policy (DIV_{t-1})	-0.04063***
	(0.00007)
Board Independence (BIND)	0.00380***
	(0.00019)
Renumeration Committee (REMC)	-0.00843***
	(0.00088)
Board Meetings (BMET)	-0.00967***
	(0.00007)
Audit Committee Size (ACSIZE)	0.0418***
	(0.00008)
Firm Age (AGE)	0.00733***
	(0.00011)
Constant	-0.350***
	(0.01013)
Arellano–Bond AR (1)	-1.131
(*p*-value)	[0.258]
Arellano–Bond AR (2)	-0.700
(*p*-value)	[0.484]
Sargan test	18.853
(*p*-value)	[0.988]
p-value (Wald-test χ^2)	[0.000]

Notes: Standard errors in parentheses, *** p<0.01 Values in [ ] are p-values

Turning to the key findings, the regression estimates show that the independence of the board of directors has a positive and significant influence on dividend payment. The result suggests that the possibility of paying dividends rises by 0.38 percent for a percentage increase in independent executives on the corporate board. This result is aligned with earlier studies (Shahid et al., 2016; Tahir et al., 2020; Kilincarslan, 2021; Alshababi et al., 2021; Farooque et al., 2021; Amedi and Mustafa, 2021). The result implies that independent directors of Ghanaian listed firms push for higher cash dividends, thereby serving the best interests of corporate shareholders. The finding further bolsters the presumption of the agency theory by demonstrating that non-executive directors and dividend payments are complementary approaches to addressing the manager-shareholder agency problem in the firm.

The effect of the presence of remuneration committee on dividend payment is negative and significant. This signifies that establishing a remuneration committee could result in a lower dividend payment by listed firms in Ghana which is not typically favoured by corporate shareholders. The finding contradicts our established hypothesis.

The number of corporate board meetings held annually has a negative significant impact on dividend per share. This suggests that rather than prioritizing concerns relating to dividend payments, the respective boards of the quoted companies are perhaps spending more of their time discussing other matters during their regular meetings. The result opposes the findings of Riaz et al. (2016) and Boonyanet and Promsen (2020).

Audit committee size positively and significantly influences corporate dividend payment. This finding conforms with our hypothesis and the results of Elmgrhi et al. (2017: 459) and Kilincarslan (2021). The implication is that larger audit committees can help improve corporate monitoring by ensuring that funds are not misappropriated but rather used for cash dividend payment to shareholders.

The findings reveal that firm age and dividend payment are positively and significantly. The result suggests that older firms in Ghana are capable of paying more cash dividends, thus supporting the maturity hypothesis (DeAngelo et al., 2006: 227). The finding also syncs with the result established by Tamimi et al. (2014) in the case of Iranian firms.

5. CONCLUSION AND DISCUSSIONS

Several theories have been proposed by various authors in an attempt to comprehend dividend behaviour. Despite this, dividend policy continues to be a conundrum, as there is no single factor that motivates corporations to pay dividends. In the literature, it is evidenced that firms' dividend decisions are influenced by a myriad of factors. This paper delves into the factors that drive dividend policy in the context of corporate governance. More specifically, we examine how board independence influences the corporate dividend policy of Ghanaian quoted firms. The study employs a panel dataset covering the period 2008-2018. Using the generalized method of moments technique, the results reveal that dividend per share is positively and significantly driven by board independence. We also find that the larger the audit committee, the greater the chances of more dividend payments. On the other hand, frequent board meetings and remuneration committees reduce dividend payments. We further document that firm age significantly and positively affects dividend payment.

Non-executive directors as entrusted by shareholders help mitigate the agency problem in the firm by pursuing shareholders' interests. Agitating for higher dividend payment is one of the approaches by which independent directors serve shareholders' interests and also curtail the agency problem between managers and corporate owners. Given this premise, our study adds to the growing body of literature on corporate governance-dividend policy relationship and provides critical evidence that independence of the corporate board is an indispensable governance mechanism driving dividend payment of Ghanaian listed firms. We therefore recommend that firms in Ghana should consider increasing the ratio of independent executives on the corporate board. Aside from this, independent directors should be given the space to take a more active role in the firm rather than simply serving as an oversight authority. Similarly, increasing the number of executives on the audit committee will aid in protecting the interests of shareholders by allowing for higher dividend payments. Due to limited data, our study is focused on only listed firms. Future research can consider collecting data from non-listed firms for a more inclusive analysis. Additionally, macroeconomic and institutional factors as well as cultural and religious factors relating to corporate directors can be controlled for in the analysis of the board independence and dividend payment nexus.

REFERENCES

Ajanthan, Alagathurai (2013), "Corporate Governance and Dividend Policy: A Study of Listed Hotels and Restaurant Companies in Sri Lanka", International Journal of Management, IT and Engineering, 3(12), pp. 98-114.

Al Shabibi, Badar Khalid – Gengatharan, Ramesh (2011), "An Empirical Study on the Determinants of Dividend Policy in the UK", International Research Journal of Finance and Economics, 80(12), pp. 105-124.

Al-Najjar, Basil - Hussainey, Khaled (2009), "The Association between Dividend Payout and Outside Directorships", Journal of Applied Accounting Research, 10(1), pp. 4-19.

Al-Najjar, Basil - Kilincarslan, Erhan (2019), "What Do We Know About the Dividend Puzzle? A Literature Survey", International Journal of Managerial Finance, 15(2), pp. 205-235.

Alshabibi, Badar - Pria, Shanmuga - Hussainey, Khaled (2021), "Does Board Structure Drive Dividends Payout? Evidence from The Sultanate of Oman", Corporate Ownership and Control, 18(4), pp. 218-230.

Amedi, Ari Muhammad Rashid - Mustafa, Aree (2021), "The Relationship between Board Characteristics and Corporate Dividend Policy: Evidence from Jordan", Bulletin of Accounting and Finance Reviews, 4(1), pp. 1-9.

Amidu, Mohammed - Abor, Joshua (2006), "Determinants of Dividend Payout Ratios in Ghana", Journal of Risk Finance, 7(2), pp. 136-146.

Ansar, Irtaza - Butt, Arslan Ali - Shah, Syed Basit Hussain (2015), "Impact of Dividend Policy on Shareholder's Wealth", International Review of Management and Business Research, 4(1), pp. 89-95.

Arellano, Manuel - Bond, Stephen (1991), “Some Tests of Specification for Panel Data: Monte Carlo Evidence and an Application to Employment Equations”, The Review of Economic Studies, 58(2), pp. 277-297.

Asamoah, Gordon Newlove (2011), “Corporate Governance and Dividend Policy: An Evidence from Ghana”, Available at SSRN No: 1845429.

Aziza, Desiana Dinda Nur - Dewi, Riana R. - Fajri, Rosa Nikmatul (2020), “Effect of Board Independence, Firm Size, Debt to Equity Ratio, Net Profit Margin Towards Dividend Policy in Companies (Sub Sectors of Food and Beverages Listed in Bei 2009-2018)”, JRAK: Jurnal Riset Akuntansi & Komputerisasi Akuntansi, 11(1), pp. 117-132.

Baker, H. Kent - Dewasiri, N. Jayantha – Koralalage, Weerakoon Banda Yatiwelle - Abdul Azeez, Athambawa (2019), “Dividend Policy Determinants of Sri Lankan Firms: A Triangulation Approach”, Managerial Finance, 45(1), pp. 2-20.

Bakri, Mohd Ashari - Abd Jalil, Mohamad Isa - Hassan, Zakiah (2021), “Dividend Policy in Malaysia: A Comparison of Determinants Pre and Post Malaysian Code on Corporate Governance”, International Journal of Banking and Finance, 16(2), pp. 1-22.

Bathala, Chenchuramaiah T. - Rao, Ramesh P. (1995), “The Determinants of Board Composition: An Agency Theory Perspective”, Managerial and Decision Economics, 16(1), pp. 59-69.

Black, Fischer (1976), “The Dividend Puzzle”, Journal of Portfolio Management, 2(2), pp. 5-8.

Bokpin, Godfred A. (2011), “Ownership Structure, Corporate Governance and Dividend Performance on the Ghana Stock Exchange”, Journal of Applied Accounting Research, 12(1), pp. 61-73.

Boonyanet, Wachira - Promsen, Waewdao (2020), “The Mediating Effects of Audit Quality on the Relationship between Corporate Governance and Cash Dividends”, Chulalongkorn Business Review, 42(2), pp. 30-53.

Boshnak, Helmi A. (2021), “The Impact of Board Composition and Ownership Structure on Dividend Payout Policy: Evidence from Saudi Arabia”, International Journal of Emerging Markets, Vol. Ahead-Of-Print No. Ahead-Of-Print. https://doi.Org/10.1108/IJOEM-05-2021-0791 (14.01.2022).

Botchway, NanaAma. - Quaye, Emmanueler (2021), “The Corporate Governance Review: Ghana”. Retrieved from: https://thelawreviews.co.uk/title/the-corporate-governance-review/ghana (06.02.2022).

Brealey, Richard A. - Myers, Stewart (2003), Principles of Corporate Finance, 7th Edition, New York: McGraw-Hill Education.

Corporate Finance Institute (2022), "Non-executive Directors", Retrieved from: https://corporatefinanceinstitute.com (06.02.2022).

DeAngelo, Harry - DeAngelo, Linda - Stulz, Rene M. (2006), "Dividend Policy and the Earned/Contributed Capital Mix: A Test of the Life-Cycle Theory", Journal of Financial Economics, 81(2), pp. 227-254.

Elmagrhi, Mohamed H. - Ntim, Collins G. - Crossley, Richard M. - Malagila, John K. - Fosu, Samuel - Vu, Tien V. (2017), "Corporate Governance and Dividend Pay-Out Policy in UK Listed SMEs: The Effects of Corporate Board Characteristics", International Journal of Accounting and Information Management, 25(4), pp. 459-483.

Eluyela, Damilola Felix - Akintimehin, Olamide Oluwabusola - Okere, Wisdom - Ozordi, Emmanuel – Osuma, Godswill Osagie - Ilogho, Simon Osiregbemhe - Oladipo, Olufemi Adebayo (2018), "Board Meeting Frequency and Firm Performance: Examining the Nexus in Nigerian Deposit Money Banks", Heliyon, 4(10), 1-14.

Farooque, Omar Al - Hamid, Ali - Sun, Lan (2021), "Does Corporate Governance Have A Say on Dividends in Australian Listed Companies?", Australasian Accounting, Business and Finance Journal, 15(4), pp. 47-75.

Farrukh, Khadija - Irshad, Sadia - Shams Khakwani, Maria - Ishaque, Sadia - Ansari, Nabeel Younus (2017), "Impact of Dividend Policy on Shareholders Wealth and Firm Performance in Pakistan", Cogent Business & Management, 4(1), 1408208.

Gordon, Myron Jules (1959), "Dividends, Earnings, And Stock Prices", The Review of Economics and Statistics, 41(2), pp. 99-105.

Gul, Sajid - Sajid, Muhammad Umair - Razzaq, Nasir - Iqbal, Muhammad Farrukh - Khan, Muhammad Bilal (2012), "The Relationship between Dividend Policy and Shareholder's Wealth", Economics and Finance Review, 2(2), pp. 55-59.

Hartono, Powell Gian - Sari, Wahyuni Rusliyana - Tinungki, Georgina Maria, Jakaria, Jakaria - Hartono, Agus Budi (2021), "The Determinants of Dividend Policy: An Empirical Study of Inconsistent Distribution of Dividends Using Balanced Panel Data Analysis", Media Ekonomi Dan Manajemen, 36(2), pp. 89-106.

Imran, Kashif (2011), "Determinants of Dividend Payout Policy: A Case of Pakistan Engineering Sector", The Romanian Economic Journal, 41(14), pp. 47-59.

Jaara, Bassam - Alashhab, Hikmat - Jaara, Osama Omarali (2018), "The Determinants of Dividend Policy for Non-Financial Companies in Jordan", International Journal of Economics and Financial Issues, 8(2), pp. 198-209.

Jensen, Michael C. - Meckling, William H. (1976), "Theory of The Firm: Managerial Behavior, Agency Costs and Ownership Structure", Journal of Financial Economics, 3(4), pp. 305-360.

Kilincarslan, Erhan (2021), "The Influence of Board Independence on Dividend Policy in Controlling Agency Problems in Family Firms", International Journal of Accounting and Information Management, 29(4), pp. 552-582.

Kuswanto, Adi - Kharisma, Ari – Adams, Sardiyo (2012), "Factors That Influence on Dividend Policy", Conference in Business, Accounting, and Management (CBAM), 1(1), pp. 23-33.

Paramita, Ratna Wijayanti Daniar (2020), "Determinants of Dividend Policy", Jurnal Ilmu Manajemen Advantage, 4(1), pp. 1-5.

Miller, Merton H. - Modigliani, Franco (1961), "Dividend Policy, Growth, and the Valuation of Shares", The Journal of Business, 34(4), pp. 411-433.

Musiega, Maniagi - Juma, Dencomutirithia - Alala, Ondiek - Damianus, Okaka - Douglas, Musiega (2013), "Corporate Governance, Dividend Policy and Performance. Special Reference to Banks Listed on Nairobi Security Exchange Kenya", International Journal of Innovative Research and Development, 2(5), pp. 1744-1764.

Nazar, Mohamed Cassim Abdul (2021), "The Influence of Corporate Governance on Dividend Decisions of Listed Firms: Evidence from Sri Lanka", The Journal of Asian Finance, Economics, and Business, 8(2), pp. 289-295.

Pahi, Debasis - Yadav, Inder Sekhar (2018), "Role of Corporate Governance in Determining Dividend Policy: Panel Evidence from India", International Journal of Trade, Economics and Finance, 9(3), pp. 111-115.

Rajput, Monika - Jhunjhunwala, Shital (2019), "Corporate Governance and Payout Policy: Evidence from India", Corporate Governance: International Journal of Business in Society, 19(5), pp. 1117-1132.

Ranti, Uwuigbe Olubukunola (2013), "Determinants of Dividend Policy: A Study of Selected Listed Firms in Nigeria", Manager, (17), pp. 107-119.

Rezaee, Zabihollah (2008), Corporate Governance and Ethics, Hoboken, NJ: John Wiley & Sons.

Riaz, Salman - Liu, Yanping - Ahmad, Muhammad Ishfaq (2016), "Dividend Policy and Corporate Governance Perspective", Accounting and Finance Research, 5(3), pp. 77-86.

Setia-Atmaja, Lukas (2010), "Dividend and Debt Policies of Family Controlled Firms: The Impact of Board Independence", International Journal of Managerial Finance, 6(2), pp. 128-142.

Shahid, Muhammad Sadiq - Gul, Faid - Rizwan, Muhammad – Bucha, Muhammad Hassan (2016), "Ownership Structure, Board Size, Board Composition and Dividend Policy: New Evidence from Two Emerging Markets", IBT Journal of Business Studies (JBS), *2*(2), pp. 25-36.

Shehu, Musa (2015), "Board Characteristics and Dividend Payout: Evidence from Malaysian Public Listed Companies", Research Journal of Finance and Accounting, 6(16), pp. 35-40.

Siregar, Muhammad Edo Suryawan - Vitrianudin, Erwin - Dalimunthe, Sholatia - Ahmad, Gatot Nazir - Zakaria, Adam - Suherman (2022), "Do Corporate Governance Mechanisms Matter for Dividend Policy? Evidence from Food and Beverage Industry in Southeast Asian Economies", Academy of Accounting and Financial Studies Journal, 26(1S), pp. 1-14.

Tahir, Hussain - Masri, Ridzuan - Rahman, Md Mahfuzur (2020), "Impact of Board Attributes on the Firm Dividend Payout Policy: Evidence from Malaysia", Corporate Governance: International Journal of Business in Society, 20 (5), pp. 919-937.

Tamimi, Mohammad, & Takhtaei, Nasrollah (2014), "Relationship between Firm Age and Financial Leverage with Dividend Policy", Asian Journal of Finance & Accounting, 6(2), pp. 53-63.

Thompson, Ephraim Kwashie - Manu, Sylvester Adasi (2021), "The Impact of Board Composition on the Dividend Policy of US Firms", Corporate Governance: The International Journal of Business in Society, 21(5), pp. 737-753.

Tinungki, Georgina Maria - Robiyanto, Robiyanto - Hartono, Powell Gian (2022), "The Effect of COVID-19 Pandemic on Corporate Dividend Policy in Indonesia: The Static and Dynamic Panel Data Approaches", Economies, 10(1), pp. 1-18.

Uwalomwa, Uwuigbe - Olamide, Olusanmi - Francis, Iyoha (2015), "The Effects of Corporate Governance Mechanisms on Firms Dividend Payout Policy in Nigeria", Journal of Accounting and Auditing, Article ID: 313679.

Yakubu, Ibrahim Nandom (2019), "Does Corruption Grease or Sand the Wheels of Bank Profitability in Ghana?", Cogent Economics & Finance, 7(1), Article No: 1701909.

Yakubu, Ibrahim Nandom (2019), "Revisiting the Factors Influencing Corporate Dividend Policy Decisions: Evidence from Listed Banks in Ghana", Management & Accounting Review (MAR), 18(3), pp. 31-50.

Yusof, Yusniliyana - Ismail, Suhaiza (2016), "Determinants of Dividend Policy of Public Listed Companies in Malaysia", Review of International Business and Strategy, 26(1), pp. 88–99.