CONSISTENCY TEST OF DIVIDEND PAYOUT DETERMINANTS IN GHANA

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ABSTRACT

This study investigated the consistence of the determinants of dividend payout in Ghana. Secondary data collected for a 10 year period (i. e 2005-2014) which was divided into two periods of 2005-2009 and 2010-2014 for the purpose of ascertaining the consistent determinant(s) of dividend payout in Ghana were analyzed using the Ordinary Least Squares (OLS) panel regression technique. The findings revealed that, of all seven factors considered to have influence on dividend payout in previous studies in Ghana (i. e profitability, the square of profitability, board size, board independence, leverage, audit type, and taxes) only board size showed significant consistence across the two span period considered for the study. The outcome of this study was also consistent with the signaling theory, agency theory and the tax-effect hypothesis.

Key words: Consistency, Dividends, Determinants, finance and Ghana

INTRODUCTION

Dividend serves as a means of generating cash flow for stockholders and offers insights into the performance of the company. Certain shareholders anticipate receiving dividends, while others are satisfied with witnessing a rise in stock prices without receiving any dividends. However, there is a growing consensus that the rationale behind dividend payments may not be evident to everyone. According to Brook et al. (1998), there is no basis to assume that corporate dividend policy is guided by a singular objective. As per Lease et al. (2000), the term "dividend policy" pertains to the approach taken by management in determining dividend payout decisions, encompassing the amount and timing of cash distributions to shareholders over a period of time. Since the advent of modern Commercial Corporation, the concept of dividend policy has captured the interest of not only managers but also scholars within the academic community. Lintner (1956) conducted the initial empirical investigation into dividend policy by surveying corporate managers to gain insights into their decision-making processes regarding dividend policy. On the other hand, one could make a case that Miller and Modigliani's (1961) research established the theoretical basis for studying dividend policy. Frankfurter et al (1997) noted that the issue of dividend policy is as old a subject as the subject of corporate evolution. Despite numerous studies on the topic, fully understanding the subject matter of dividend policy has proven to be challenging. This is highlighted by Black's (1961) observation that the more closely we examine the dividend picture, the more it appears to be a perplexing puzzle with mismatched pieces.

Dividend payout policy has been one of the ten significant unresolved issues in finance, according to Brealey and Myers (2003). The current situation remains largely unchanged as De Angelo and De Angelo (2006) questions Black's argument and asserts that this so called "puzzle" is nig actually a puzzle as it is based on the incorrect assumption that Miller and Modigliani's (1961) irrelevance theorem applies to decisions regarding dividend payout or retention. Miller and Modigliani's (1961) further put forth a well-accepted argument for the irrelevance of dividends in a world with perfect

capital markets. Nonetheless, this view has been opposed in several studies. If dividends are irrelevant, why do companies still pay dividends? and why are investors aware of dividends?

Numerous studies on dividend payout policy in the past have identified profitability, audit type, firm size, firm growth, collateral capacity, board size, board independence,, leverage, ownership structure, market-to-book ratio, institutional shareholding, risk, age and dividend changes to have significant effect or influence on dividend payout ratio or policy (see Eriostis and Vasiliou, (2003), Abor and Amidu, (2006), Al-Malkawi, (2007), Kowaleski, Stetsyuk and Talavera, (2007), Al-Shababi and Ramesh, (2011), Bokpin, (2011), Al-Najjar and Hussainey, (2009), Yiadom and Agyei, (2011), Eliasu, (2014), Eliasu et al (2014)).Leung (2006) found that among the six factors analyzed in his study of UK firms, including future earnings, earnings volatility, dividend volatility, cash flow volatility, stock price volatility, and log of revenue, only the log of revenue and dividend volatility consistently demonstrated a pattern.

The only study in Ghana and Sub-Saharan Africa to examine consistency of determinants of dividend payout ratio is Eliasu et al (2014). That study compared determinants of dividend payout ratio in financial sector firms as opposed to those in non-financial sector firms in order to ascertain the consistent determinants across all sector firms, whether financial or nonfinancial. This paper however, seeks to investigate the consistency of the determinants of dividend payout ratio across a period of 10 years (i.e 2005-2014) in respect of 30 selected firms on the stock exchange. Whereas Eliasu et al (2014) focused on sectorial analysis of the determinants to ascertain consistence in the determinants, this paper focuses on a 10 year two period span analysis of 5 years each (i.e 2005-2009 vs 20010-2014) to examine if there exist any consistency given the set of determinants under review in the first 5 year period of 2005-2009. The few studies in Ghana on dividend payout determinants were conducted by Abor and Amidu (2006), Yiadom and Agyei (2011) and Eliasu (2014) which explored only the determinants of dividend payout ratio in Ghana. These studies however, failed to examine the consistence of the determinants of dividend payout over specific interval periods. This study therefore examines whether or not the determinants of dividend payout in Ghana are consistent with regards to a 5-year interval period (i.e2005-2009 and 2010-2014). The remaining sections of the paper are structured as follows: section 2 provides a review of relevant literature on dividend theories, followed by an examination of the study variables and methodology in section 3. Section 4 presents the analysis and discussion of the findings, while section 5 concludes the paper.

LITERATURE REVIEW

Dividend Theories

Free Cash Flow Theory

According to Jensen (1986), who describes the theory of free cash flow, funds left over after paying for all projects with positive net present values can lead to conflicts of interest between management and shareholders.

Shareholders utilize dividends as a tool to stop managers from making excessive investments. As the firm is under the management of the managers, money may be invested in initiatives with low net present values but high managerial personal utility. By lowering this free cash flow, a dividend also lowers the potential for excessive investment.

According to Easterbrook's (1984) theory, dividends are utilized to free up free capital from the managers' control and give it to shareholders. This ensures that in order to meet the finance requirements for new projects, the managers will have to approach the capital market.

Catering Theory

According to this view of dividend policy, management should accommodate the existing payout preferences of investors. According to this view, investor demand determines whether dividends will be paid. As a result, businesses pay dividends when investors place a premium on stocks that pay dividends and refrain from paying dividends when investors show a preference for stocks that do not pay dividends (Baker et al., 2002). They contend that the market-to-book ratio of a given company indicates a rise in demand for shares of that group and that will encourage the dividend policy. They use the market-to-book ratio as a measure of premium on shares.Because of this, management will stop paying dividends in order to satisfy investors' desire for non-paying equities if the market-to-book ratio of non-payers rises. Furthermore, they contend that the fact that the majority of businesses pay dividends indicates that there is a distinct element to garnering attention through dividends.

Agency Theory

In the words of Jensen and Meckling (1976), an agency relationship is "a contract whereby one or more individuals (the principal[s]) engage another individual (the agent) to perform some service on their behalf and whereby the agent is given some discretionary authority." According to Jiraporn et al. (2008), achieving a balance between investors and management is the primary goal of corporate governance. M&M's ideal capital market makes the premise that there are no conflicts of interest between shareholders and management. However, in situations where the firm's owners are separate from its management, this assumption is debatable. In such situations, managers are always the shareholders' (principals') imperfect agents.

For example, managers may consume excessive perquisites or overinvest in managerially gratifying but unprofitable activities, which are acts that are costly to shareholders. This is because managers' objectives are not always the same as shareholders' interests. As a result, shareholders pay (agency) expenses to oversee managers' actions, which are an implicit cost brought on by a potential conflict of interest between shareholders and corporate management. By limiting the discretionary money available to managers, dividend payments may help to align the interests of shareholders and managers and reduce agency issues between managers and shareholders (see Easterbrook, 1984; Jensen, 1986; and Alli, Khan, and Ramirez, 1993).

Signalling Theory

Ross (1977) developed the first theoretical analysis of dividends as a signalling tool before other studies like Bhattacharya (1979), John and Williams (1985), Miller and Rock (1985), and Ofer and Thakor (1987). Bhattacharya (1979) and John and Williams (1985) asserts that dividends reduce the knowledge asymmetry between managers and shareholders. According to the signaling theory, changes in dividend levels are believed to convey information about the future prospects of a firm, rather than the actual dividend payout rate itself. As a result, it is suggested that share prices react not to the dividend payout rate directly, but to the perceived implications for the firm's future. Lasher (2000) argues that a decrease in dividend, for example, is taken as terrible news.This hypothesis states that the signal from dividend announcements can provide investors with information about a company's future earnings, both in terms of dividend stability and change. However, in order for this hypothesis to be true, managers must first have incentives to share confidential information with the market regarding a firm's prospects. Again, a signal must be accurate; a company with terrible prospects for the future should not be able to imitate and mislead the market by raising dividend payments.

Tax-Effect Hypothesis

According to the tax-effect hypothesis, low dividend payout ratios reduce the cost of capital and raise stock prices. In other words, low dividend payment ratios help to maximize the value of the company. The premise of this argument is that dividends are taxed more heavily than capital gains. Dividends are also taxed right away, whereas capital gains aren't until the stock is actually sold. Due to the favorable tax treatment for capital gains, investors are more likely to favor corporations that retain the majority of their earnings rather than paying them out as dividends. As a result, they are more ready to pay a premium for low-payout companies. A low dividend payout ratio will therefore reduce the cost of equity and raise the stock price. Dividends are frequently taxed at a greater rate than capital gains in many nations. In order to hold stocks with greater dividend yields, investors in high tax rates might need larger pre-tax risk-adjusted returns. The tax-effect theory is based on the correlation between dividend yields and pre-tax stock returns. The tax preference theory is supported by empirical research by Brennan (1970), Litzenberger and Ramaswamy (1979), and Barclay (1987).

STUDY VARIABLES

Leverage

Businesses that rely heavily on debt to fund their operations are under liquidity strain. The ability of businesses to have enough residual income to ensure dividend payment is lowered by debt principal and interest payments. As a result, it is anticipated that debt will have a negative effect on the amount of dividend paid over time. More indebted companies, according to Kowalski et al. (2007), prefer to pay smaller dividends. Additionally, Al- Kuwari (2009) confirms that the relationship between dividend distribution and leverage ratio is adverse.However, using debt has been linked to decreased agency costs and increased business profitability, both of which tend to

increase dividend payments. Payout ratios for all-equity enterprises are much higher than those for levered firms, according to Agrawal and Narayanan's 1994 research. Gugler (2003), Aivazian et al. (2003), and Abor and Bokpin (2010) find a negative association between dividend payments and leverage, among other empirical investigations.

Audit Type

This divides the types of auditing firms into those belonging to the Big Four and those belonging to other groups. By assessing the correlation between information asymmetry and the quantity of analysts following disclosure, Lang and Lundholm (1996) investigated the quality of disclosure. They discovered that the amount of asymmetric information provided to the shareholders by the managers decreased with the number of analysts following. This occurred as a result of the investors receiving adequate information from the annual reports that the analyst examined in accordance with the level of transparency. The audit type is used in this study to gauge the quality of the disclosure. According to Glosten and Milgrom (1985), information asymmetry is a significant element that influences shareholders to demand high-quality disclosure. Furthermore, by stating if the company is audited by one of the top five international audit firms, Mitton (2004) evaluated the quality of the disclosure. He discovered that corporations audited by one of the top five accounting firms pay higher dividends. According to Lee et al.'s (2007) citation, shareholders anticipate higher profits if the company is audited by one of the Big Five audit firms. Information asymmetry and dividend policy have a bad relationship, according to Al-Najjar and Hussainey (2009). In other words, dividend payments to investors increase as knowledge asymmetry decreases. According to Hussainey (2009), the company should think carefully about which company would audit its financial statements because the sort of audit affects the shareholders' and analysts' investment decisions. According to Hussainey (2009), the big four audit companies in this study are Deloitte Touche Tohmatsu, Ernst & Young, KPMG, and PricewaterhouseCoopers. The audit type is denoted by a dummy variable, where 1 denotes the use of one of the Big Four audit firms to perform the firm's auditing and 0 denotes the use of any other non-Big Four audit firms. However, Al-Shababi and Ramesh (2011) did not discover any connection between audit type and dividend policy.

Taxation

According to Farrar and Selwyn (1967), the practice of paying no dividends maximizes share value when ordinary dividends and capital gains taxes are taken into account. Additionally, according to King (1974), in such a situation, investment is domestically financed, resulting in a lower dividend. Masulis and Trueman (1988), who believe that when tax liabilities rise (fall), dividend payments reduce (raise), and earnings reinvestment rises (decreases), support these claims.Companies create their dividend policies to reduce their tax burden and to maximize the after-tax return to shareholders, according to Lasfer (1996). It is discovered that companies who cannot deduct the advanced corporation tax from their tax liability pay low dividends. Abor and Amidu (2006) demonstrate a positive association between corporate tax and dividend payout ratio in Ghana, defying the theoretical notion that dividends and taxes have a negative relationship. This finding suggests that higher tax is linked to an increase in dividend payout.

Profitability

A long-standing factor in dividend policy has been the size of a company's profit. When the company has generated enough profit to support such payments, directors typically suggest that dividends be paid. One of the most important factors that directly and substantially affects dividend policy is profitability. Al-Kwari (2009). According to Pruitt and Gitman (1991), the year-over-year and preceding years' dividend are significant elements that affect dividend policy. They also note that current and prior years' earnings are crucial. As a result, it is anticipated that profitable businesses will be more likely to distribute dividends than non-profitable ones (Eriostis and Vasiliou, 2003; Ahmed and Javid, 2009). According to Gill et al. (2010), a non-linear relationship between dividends and profitability is conceivable. As a result, once profitability reaches a particular level, the impact of profitability on dividends switches direction.

Size

A company's dividend policy may be influenced by its size. Larger businesses benefit from the capital markets' ability to raise outside capital and rely less on internal resources as a result (Higgins, 1972). Larger companies should pay dividends more frequently since they are less likely to file for bankruptcy. This suggests that a firm's size and reliance on internal funding are inversely related. This shows that bigger companies are able to pay out more dividends than smaller companies. The transaction cost theory of dividend policy (see Chang and Rhee, 1990; and Aivazian et al., 2003) also supports this relationship. The natural logarithm of assets is employed in this study as a stand-in for business size.

Investment Opportunity Sets

An essential element of market value is the investment options open to the company. Investment opportunity set, according to De Angelo et al. (2006), shows a firm's investment or growth possibilities, however according to Myers (1977), its worth depends on the managers' discretionary spending. According to Myers (1977), an investment opportunity is a yet-to-be-realized, potentially successful project that a business might take advantage of for financial rents. In other words, this is the portion of the firm's worth attributable to the ability to make future investments (Smith and Watts, 1992). According to Chang and Rhee (1990), the greater the growth potential, the greater the requirement to finance expansion, and consequently, the greater the possibility to keep earnings. Additionally, the findings of Myers and Majluf (1984) are consistent with this negative connection. They contend that businesses with strong potential for growth typically have low payout ratios. Various authors have developed different metrics for evaluating investment opportunities. These include book to market value of assets (Smith and Watts, 1992) and market to book value of equity (Collins and Kothari, 1989).

Board Size

This figure reflects all of the board members, both executive and non-executive (Borokhovich et al., 2005). The correlation between board size and dividend payments to shareholders has been noted by Belden et al. (2005) and Bokpin (2011).They said that this was because more people were keeping an eye on the CEO's decisions. Because of the members' expertise and talents, larger boards are advantageous over smaller ones in terms of the dissemination of expert advice and opinion when it comes to observing the actions of managers.

Board Independence

The total number of non-executive board members is shown here. According to Belden et al. (2005), it is thought that having outside directors on the board of the company tends to lower the agency cost for the corporation. Additionally, they pointed out that the outside directors effectively represent the shareholders and defend their corporate interests. They came to the conclusion that the corporation was willing to pay larger dividends the more outsiders there were on the board.This is in line with the findings of Kowalewski et al. (2007), who claimed that shareholders preferred dividend payments if insider directors were on the board because they were concerned about how the management would determine their compensation. Board independence and dividend policy have a considerable and favorable link, according to Al-Shababi and Ramesh (2011). This means that external board members are valued for their counsel, knowledge, and outside impacts on management.

RESEARCH METHODOLOGY

The Ghana Stock Exchange (GSE) is the primary focus of the study's list of publicly traded companies. These businesses were selected because it was far simpler to obtain the data needed for the study from them than it was from businesses that aren't listed on a stock market. Once more, the Ghana stock exchange has undergone significant expansion over the years and is an essential component of the financial development of both Ghana and Africa. Consequently, a study of companies that are listed on the stock exchange is merited. In the study, companies listed on the Ghana stock exchange were examined during a 10-year period, from 2005 to 2014, using a panel regression model.In all, 30 companies were used for this study. This number represents 81% of listed companies in Ghana. The study limited the number of firms to 30 because data on these firms for the entire study period was available. Data were derived from the annual reports of the selected listed firms and the GSE Fact Books during the ten-year period, 2005-2014. The GSE data consist of statement of financial position, Income Statements, Financial ratios and other relevant information for all publicly quoted companies. For this investigation, a total of 30 firms were used. This figure corresponds to 81% of Ghana's publicly traded enterprises. The study only included 30 companies because information on them for the full study period was accessible. For the ten-year period between 2005 and 2014, data were taken from the annual reports of the chosen listed companies and the GSE Fact Books. Statements of Financial Position, Income Statements, Financial Ratios, and other pertinent data for all publicly traded corporations are included in the GSE data.

The panel data model's broad form can be more succinctly defined as:

$$\mathbf{Y_{i,t}} = \boldsymbol{\alpha_i} + \boldsymbol{\beta X_{i,t}} + \boldsymbol{\varepsilon'_{i,t}} \quad (1)$$

with the time-series dimension represented by the subscript t and the cross-sectional dimension by the subscript i. The firm's dividend payment (policy) is the dependent variable in this equation represented by Yi,t. Xi,t comprises the collection of explanatory variables in the estimate model, and i is assumed to be constant across time t and unique to the particular cross-sectional unit i. Ordinary Least Square (OLS) gives a consistent and effective estimation of and if i is assumed to be the same across units.

The model utilized in this study is the same one that D'Souza (1999) and Abor and Amidu (2006) used to explain the connections between dividend payout and determinants. This appears as follows:

$$PAYOUT_{i,t}=\beta_0+\beta_1 PROF_{i,t}+\beta_2 PROFSQ_{i,t}+\beta_3 MTBV_{i,t}+\beta_4 TAX_{i,t}+\beta_5 LEV_{i,t}+\beta_6 SIZE_{i,t} +\beta_7 BS_{i,t}+\beta_8 BI+\beta_9 AT+\varepsilon_{i,t} \quad (2)$$

Where;

$PAYOUT_{i,t}$ =Dividend per share/Earnings per share for firm *i* in period *t*

$PROF_{i,t}$ =Aggregate Earnings/Total Assets for firm *i*in period *t*

$PROFSQ_{i,t}$ = The square of profitability for firm *i* in period *t*

$MTBV_{i,t}$ =Market-to –Book Ratio for firm *i* in period *t* (i.e price per share/ net assets value per share

$TAX_{i,t}$ =Corporate Tax/Net Profit Before Tax for firm *i* in period *t*

$LEV_{i,t}$ =Total Debt/Total Assets for firm *i* in period *t*

$SIZE_{i,t}$ =The Logarithm of Total Assets for firm *i* at end of period *t*

$BS_{i,t}$ = log of total directors for firm *i*

$BI_{i,t}$ = Total non-executive directors/ Total directors for firm *i* in period *t*

$AT_{i,t}$ = 1 if audited by one of the big four and 0 otherwise for firm *i* in period *t*

$\varepsilon_{i,t}$ =The error term

Theoretical and empirical studies discussed above suggest the following relationships for each variable with regard to the dividend payout ratio:

PROF, SIZE, BI, BS and **AT** are expected to be positively related to **PAYOUT**;

POFSQ, TAX, MTBV, and **LEV** should be negatively related to **PAYOUT**.

ANALYSIS AND DISCUSSION OF FINDINGS

Summary statistics

The descriptive statistics for the factors affecting dividend payout in Ghana from 2005 to 2009 are shown in Table 1 below. Each variable's mean, median, lowest, and maximum values are shown in the table. When comparing dividend per share to earnings per share, the average (median) dividend payout ratio is 62.8 percent (38.5 percent), and the average (median) profitability is 32.80 percent

(30.32 percent). This indicates that businesses distribute approximately 62.8 percent of their after-tax profits as dividends, with an average return on assets of about 32.8 percent. Average (median) market-to-book value for the firms is 6624.908 (3.3201).Corporate tax rate on average is 33.8 percent (33.7 percent). The mean (median) debt ratio under the period of study is 27.16 percent (25.40 percent). Firm size, determined as the natural logarithm of total assets of firms has a mean (median) of 4.2950 (4.4337). The average (median) board size under the period of study is 6 (2). The maximum for board size is 16 and the minimum is 2 which indicate that the sample used in this research contained small as well as large companies. The enterprises' 6624.908 (3.3201) market-to-book ratio is average (median). The average corporate tax rate is 33.8 percent (33.7%). During the study period, the mean (median) debt ratio was 27.16 percent (25.40 percent). The mean (median) of business size, calculated as the natural logarithm of total assets of firms, is 4.2950 (4.4337). The study period's median (average) board size is 6 (2). The sample used in this study included both small and large businesses, as indicated by the maximum board size of 16 and the minimum board size of 2, respectively. Board independence for the enterprises is 34.90 percent (median) on average. The mean (median) for audit type is 62.33 percent (60.00 percent). This indicates that just 12 of the sample's 18 companies were audited by firms outside the Big Four, so that the mean is near to 1.

Table 1 Descriptive Summary Statistics (2005-2009)

Variables	Mean	Std. Dev	Minimum	Median	Maximum
PAYOUT	0.628230	28.66744	-8.85573	0.385026	320.7465
PROF	0.328095	0.321411	-0.286679	0.303223	1.000000
PROFSQ	0.201825	0.177146	1.10E-09	0.127802	1.000000
MTBV	6624.908	16349.75	-6.795889	3.320146	6633.00
TAX	0.33892	263.5002	-0.005556	0.337232	865.0000
LEV	0.271625	2.434804	0.000000	0.234000	9.000000
SIZE	4.295072	1.415612	3.090963	4.433776	6.922573
BS	6.196285	7.141495	2.000334	2.255098	16.65500
BI	0.339200	0.196419	0.100000	0.450000	0.780000
AT	0.623333	0.432515	0.000000	0.600000	1.000000

Note:Prof represents Profitability, Profsq is the square of Profitability, Mtbv is the market-to-book ratio, tax is corporate tax, Lev is debt ratio or leverage ,Size is firm size ,BS is board size, , BI is board independence and AT represents audit type.

Once more, the descriptive statistics for the factors affecting dividend distribution in Ghana from 2010 to 2014 are shown in table 2 below. The mean, median, lowest, and maximum values for each of the study's variables are displayed in the table. When comparing dividend per share to profits per share, the average (median) dividend payout ratio is 57.44 percent (34.6 percent), and the average

(median) profitability is 31.23 percent (28.70 percent). The average return on assets is therefore approximately 34.6 percent, and companies typically pay out about 57 percent of their after-tax earnings as dividends. 1934.45 (3.5640) is the enterprises' market-to-book value on average (median). The average corporate tax rate is 31.1 percent (29.5%). During the study period, the mean (median) debt ratio was 32.7 percent (24.00 percent). The mean (median) of firm size, calculated as the natural logarithm of total assets of firms, is 4.3690 (4.254). 8 (4) is the typical (median) board size for the study period. The sample used for this study included both small and large businesses because the maximum board size is 9 and the minimum is 2, respectively. The firms' boards are, on average, 47.10 percent (43.20 percent) independent. The mean (median) for audit type is 66.30 percent (57.1.00 percent). This indicates that only 11 of the 19 sample companies were audited by firms outside the Big Four, so that the mean is quite close to 1.

Table 2 Descriptive Summary Statistics (2010-2014)

Variables	Mean	Std. Dev	Minimum	Median	Maximum
PAYOUT	0.574463	1.103968	-3.627861	0.345660	9.53465
PROF	0.312301	0.233908	-0.067997	0.287000	1.000000
PROFSQ	0.212832	0.237849	6.74E-11	0.081000	1.000000
MTBV	19345.65	71430.45	8.17E-05	3.564074	643667.0
TAX	0.31086	523.5308	0.013000	0.295156	5243.000
LEV	0.327341	2.277396	0.000000	0.24000	21.34400
SIZE	4.369076	1.543344	3.906335	4.254337	8.65120
BS	8.022932	1.029907	2.112550	4.025098	9.342000
BI	0.371133	0.191208	0.100000	0.432000	0.890000
AT	0.663000	0.450503	0.000000	0.571000	1.000000

Note: Prof represents Profitability, Profsq is the square of Profitability, Mtbv is the market-to-book ratio, tax is corporate tax, Lev is debt ratio or leverage ,Size is firm size ,BS is board size, , BI is board independence and AT represents audit type.

Regression Results

Panel-style regression analysis is used. Fixed effects, random effects, and OLS panel were among the choices for panel data regression that were tested. The OLS panel was the most reliable of all; hence, Tables 5 and 6 of the study show the results of the OLS panel regression.

Table 5: Determinants of Dividend Payouts (2005-2009)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROF	4.701512	2.115422	1.445150	0.0562*
PROFSQ	-2.509321	1.223342	-1.433253	0.2112
MTBV	1.22E-05	1.120E-05	0.354654	0.4241
TAX	-0.023029	0.002224	-3.022437	0.0001***
LEV	-0.122334	0.137565	-2.788543	0.0000***
SIZE	0.237743	0.275155	0.352256	0.2584
BS	2.335443	0.004645	73.11224	0.0000***
BI	-44.39739	3.902399	-11.37695	0.0000***
AT	2.783684	1.065226	2.613233	0.0099***
Constant	15.00622	2.122433	5.122362	0.0000***
R^2	0.988363			
Adjusted R^2	0.987615			
S.E. of regression	3.190307			
F-statistic	1321.215			
Prob(F-statistic)	0.000000			

Note:The significance levels (two-tail test) are: *10 per cent, **5 per cent and ***1 per cent. Prof represents Profitability, Profsq is the square of Profitability, Mtbv is the market-to-book ratio, tax is corporate tax, Lev is debt ratio or leverage ,Size is firm size ,BS is board size, , BI is board independence and AT represents audit type. R2 represents R-squared.

From table 5 above, the findings show a strong and positive correlation between dividend payout and profitability. Additionally, it demonstrates a weak but negative correlation between dividend payout and the profitability square. The relationship between market-to-book value and dividend distribution is favorable but not particularly significant. A statistically significant and negative correlation between corporate tax and dividend payout was found. This indicates that a low dividend payout is related to rising taxes. In other words, if a company's tax liability rises (falls), dividend payments go down (up) and earnings are reinvested up (down). While Abor and Amidu (2006) found a favorable correlation between corporation taxes and dividend payout in Ghana, these results are in line with Masulis and Trueman's (1988) findings. The relationship between leverage and dividend payout was statistically significant and negatively skewed. However, there was a slight but positive correlation between business size and dividend payout. A statistically significant and positive link between board size and dividend payout was seen. Additionally, a statistically

significant negative link between board independence and dividend payout was found. According to the table, the type of audit has a statistically significant and positive link with dividend payout.

Table 6: Determinants of Dividend Payout (2010-2014)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PROF	-2.224566	0.688433	-2.441352	0.0264**
PROFSQ	1.237561	0.892206	2.114455	0.0553**
MTBV	1.11E-06	1.21E-06	1.241565	0.2535
TAX	0.012215	0.021344	0.686132	0.4335
LEV	0.153644	0.011434	2.571553	0.0062***
SIZE	-0.040395	0.041994	-0.961934	0.3377
BS	0.223151	0.0335637	2.321565	0.0271**
BI	7.411968	1.026438	7.221056	0.0000***
AT	-1.249604	0.366467	-3.409870	0.0008***
Constant	-1.344233	0.432661	-3.323545	0.0001***
R^2	0.540224			
Adjusted R^2	0.510667			
S.E. of regression	0.656436			
F-statistic	18.27736			
Prob(F-statistic)	0.000000			

Note:The significance levels (two-tail test) are: *10 per cent, **5 per cent and ***1 per cent. Prof represents Profitability, Profsq is the square of Profitability, Mtbv is the market-to-book ratio, tax is corporate tax, Lev is debt ratio or leverage ,Size is firm size ,BS is board size, , BI is board independence and AT represents audit type. R^2 represents R-squared.

The correlation between profitability and dividend distribution is statistically significant and negatively skewed, as seen in Table 6 above. This goes against the body of knowledge and is rarely the case in real life. This suggests that, relative to profitable enterprises, unprofitable firms are more likely to pay big dividends. The findings from profitability square also indicate a statistically significant and favorable association between dividend payout. Furthermore, this is counter to the body of knowledge. The relationship between market-to-book value and dividend distribution is favorable but not very strong. The relationship between corporate tax and dividend payout is positive but not very strong. The relationship between leverage and dividend distribution was both favorable and significant. A negative and negligible correlation between firm size and dividend payout was observed. However, a positive and significant link between board size and dividend payout was found. A statistically significant and positive link between board independence and

dividend payout was found. This implies that the bigger the dividend payment to shareholders, the greater the number of outside directors on the board. The agency cost in the corporation is typically decreased by having outside members on the board. According to earlier research (see Jiraporn et al., 2008; Borokhovich et al., 2005; Belden et al., 2005; and Kowalewski et al., 2007), this is accurate. Dividend payout and audit type are significantly and negatively correlated.

Conclusions

According to the regression analysis's findings (2005–2009), Ghanaian companies' dividend payouts are influenced by a number of factors, including their profitability, tax burden, number of board directors, amount of debt, number of outside directors, and audit type. Additionally, the regression findings for the period of 2010 to 2014 show a correlation between profitability, debt level, the number of outside directors on the board, the kind of audit, and the number of board members. Due to the study's goal, only board size (the number of directors on a company's board) consistently had a favorable and meaningful impact on the dividend distribution decisions of enterprises in Ghana over a five-year period. The regression results (2005-2009) show that the profitability of firms, the tax imposed on firms, the number of directors on the board, the debt level of firms, the number of outside directors and audit type influence dividend payout of firms in Ghana. Further, the regression results (2010-2014) indicate an association between profitability, debt level, the number of outside directors on the board, the type of audit and the number of directors on the board and dividend payout. Therefore, on account of the objective of the study, only board size (the number of directors on the firm's board) showed consistence of having a positive and significant influence on the dividend payout decisions of firms in Ghana over the 5-year interval period.
The paper makes recommendations for further investigation into the effect of audit committees of companies on the dividend payment ratio in Ghana.

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