Impact of intellectual capital and CEO characteristics on dividend policy: Evidence from Pakistan

Researcher:

Zunnara Zakir

Reg #:1259-FMS/MS/F21

Supervisor:

Dr. Misbah Wadood

Lecturer (FMS), IIUI

Faculty of Management Sciences

INTERNATIONAL ISLAMIC UNIVERSITY, ISLAMABAD

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Zunnara Zakir

Reg No.: 1259-FMS/MS/F21

A thesis submitted in partial fulfillment of the requirements for the Degree of Master of Philosophy/Science in Management with specialization in Finance at
the Faculty of Management Sciences
International Islamic University,
Islamabad.

Supervisor

Dr. Misbah Wadood

May, 2024

DEDICATION

I dedicate this thesis to my dearest and beloved parents and supervisor whose support has enabled me to complete this research study successfully.

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DECLARATION

I hereby declare that this thesis, neither as a whole nor as a part thereof, has been copied out from any source. It is further declared that I have prepared this thesis entirely on the basis of my personal effort made under the sincere guidance of my supervisor and colleagues. No portion of work, presented in this thesis has been submitted in support of any application for any degree or qualification of this or any other university or institute of learning.

Ms. Zunnara zakir

MS (Finance)

Faculty of Management Sciences

APPRECIATION AND GRATITUDE

No words of gratitude will ever be sufficient for the Allah Almighty who made me capable of learning, blessed me with the knowledge & intellect and facilitated me with the finest of the mentors all through my academic years.

It is a great pleasure to acknowledge my deepest thanks and gratitude to Ms. Misbah Wadood Lecturer (FMS), IIU Islamabad, for her continuous support and motivation. It is indeed a privilege to work under her supervision.

I have no words of appreciation for my parents, most sincere parents of the world, who are always there for me and without their encouragement and support I would not be able to complete it. Finally, I am thankful to my brother for his support.

(Acceptance by the Viva Voice Committee)

Title of Thesis: "Impact of intellectual capital and CEO characteristics on dividend policy: Evidence from Pakistan".

Name of Student: Zunnara Zakir

Registration No: 1259-FMS/MS/F21

Accepted by the Faculty of Management Sciences INTERNATIONAL ISLAMIC UNIVERSITY ISLAMABAD, in partial fulfillment of the requirements for the Master of Science/Philosophy Degree in Management Sciences with specialization in Finance.

Viva Voce Committee

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(Supervisor)

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(External Examiner)

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(Internal Examiner)

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(Chairman HS & R)

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(Dean)

Date:_____

FORWARDING SHEET

The thesis entitled “Impact of intellectual capital and CEO characteristics on dividend policy: Evidence from Pakistan”, submitted by Ms. Zunnara Zakir has partial fulfillment of MS/PhD degree in Management Sciences with specialization in Finance, has completed under my guidance and supervision. The changes advised by the external and the internal examiners have also been incorporated. I am satisfied with the quality of student’s research work and allow her to submit this thesis for further process as per IIU rules & regulations.

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Name : _____

ABSTRACT

Over the years, the role of intellectual capital in developing a firm's competitive advantage and enhancing firm value has been quite evident. However, it marginally addresses in three major corporate finance decisions, i.e., investing, financing, and dividend decisions. Thus, this study is designed to explore whether or not intellectual capital and CEO characteristics are related to dividend payout policy. It investigates the impact of intellectual capital and CEO characteristics (gender, education, and experience) on the dividend policy of non-financial firms listed on the Pakistan Stock Exchange. Annual reports are used to extract all financial data and the firm's website and LinkedIn to collect data related to the CEO. It considers three attributes of a CEO: gender, education, and experience (tenure). Intellectual capital is measure with the value-added Intellectual coefficient (VAIC^{TM}) approach, which is the sum of three efficiencies calculated with a combination of value-added and three sources of capital, i.e., Human, structural, and capital employed. However, binary/dummy variables are used for CEO characteristics to measure impact.

This study contributes to Agency theory by highlighting how these factors help to align the interests between the owner and principal. As an increase in the VAIC depicts an improvement in the IC efficiency of a firm's resources (employees and general knowledge), enhancing its ability to create new economic value. Therefore, with the help of Intellectual capital and CEO characteristics, the firm makes wise and informed decisions and aligns its mismatched interest to reduce agency costs by using dividend payout as an alternative way to enhance its value. This study finds that there is positive impact of intellectual capital and CEO traits on dividend payout.

Keywords: Intellectual capital (IC), Chief Executive Officer (CEO), value-added intellectual coefficient (VAIC^{TM}), Dividend policy, Agency theory.

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CHAPTER 1

1. INTRODUCTION

1.1.Introduction and Background

In this knowledge era, firms have been creating value not only from physical assets but also from intangible assets. For instance, human capital (employee skills), structural capital (technological culture), and relational capital (relations with customers and suppliers) are potential forms of intellectual capital (Rossi, Festa, Ch, Fait, & Papa, 2021; Su & H.Y., 2014; Cruz-Gonz_alez, J., L_opez-S_aez, P., & Nav, 2014). Intellectual capital ultimately helps value creation (Lerro, Linzalone, & Schiuma, 2014) and guides firms toward competitiveness (Xu & Wang, 2018; Mavridis, 2004).

The firm's intellectual capital refers to its intangible asset's total value. It includes human capital, organizational structure, and capital employed, but it goes further than this. Intellectual capital takes a holistic view of each aspect of a firm that helps it attain a competitive edge. A firm's intellectual capital helps to create more value, increase efficiency, improve decision-making skills, and enhance sales growth. The firm should be aware of the impact of intellectual capital as it helps to create new strategies/processes that improve firm performance and inform decision-making processes. Therefore, the knowledge employees possess is the most critical resource for the firm and is the engine of this firm's growth. According to (Joshi, Cahill, Siddhu, & Kansal, 2013), Intellectual capital refers to a set of skills and experiences of employees of a firm that, with information records and archives, expresses a certain amount of consistency in future revenue for the corporate in the long term.

Across the years (Roos, 2017; Marr, Gray, & Neely, 2003; Petty & Guthrie, 2000; Bontis, 1996) share a standard view on intangible factors' capability to create a firm's value and idiosyncratic competitive advantages. Nevertheless, (Brealey, Myers, & Allen, 2020; Miglietta, Battisti, Carayannis, & Salvi, 2018; Damodaran, 2006) studied that it is essential to realize which other approaches act in accordance to achieve a firm's foremost objective, i.e., creating shareholder value.

According to Schiavone, Romano, Meles, Verdoliva, & Del Giudice (2014) intellectual capital is a significant form of an intangible asset for firms. Moreover, it has been approached from numerous theoretical perspectives and angles (Giacosa, Ferraris, & Bresciani, 2017; Mouritsen, Larsen, & Bukh, 2001; Greojer, 2001), leading to an overabundance of proposed ideas, methods, and tools (Chaminade & Roberts, 2003; Mouritsen, Larsen, & Bukh, 2001). Even though a firm's financial statement does not precisely reveal the firm's intellectual capital; however, it depicts a firm's actual value, which depends on the knowledge owned and utilized by them (Garcia-Perez et al., 2020; Usai et al., 2018; Ferraris et al., 2018). Consequently, over a while, the dividend payout policy is used as a vision to create the shareholders' value has amplified little by little (Battisti, Miglietta, Nirino, & Villasalero Diaz, 2019; Miglietta, Battisti, & Campanella, 2017). As in those studies, the dividend payout is recognize as a particular factor for wealth creation (Karpavicius & Yu, 2018; Karpavicius, 2014; DeAngelo & DeAngelo, 2007).

On the other hand, the chief executive officer (CEO) is a firm's highest-ranking officer responsible for growth, profitability, and enhancing share prices to create value for shareholders. They have significant power in their firm and dividend decision to pay a dividend or not, depending on its current and later prospects. Ultimately, shareholder value determines investors' decision to invest in firms. Therefore, the role of the CEO in determining dividend policy is vital.

Consequently, Chief Executive Officers (CEOs) characteristics also influence decision-making regarding dividends along with intellectual capital (I.C.) advancement, affecting both the value creation and the latent conflicts of interest between directors and owners of the firm (Faccio, Marchica, & Mura, 2016; Serfling, 2014).

So far, a plethora of studies have investigated dividend policy determinants (Tahir, Masri, & Rahman, 2020). Despite that, there is still disagreement over the variables determining the likelihood of dividend payments and dividend payout policies (Dewasiri, Koralalag, Azeez, Jayarathne, Kuruppuarachchi, & Weerasinghe, 2019). Ullah, Bagh, & Arif (2019), Arif, Urooge, & Malik (2020), & Botoc & Pirtea (2014) found that the dividend payout ratio is positively influenced by liquidity and profitability. Whereas Kuzucu (2015) & Purwanto, Sanjaya & Kawisana (2021) found that profitability is negatively associated with dividend payout, but Jozef R. Pattiruhu & Paais (2020), Jovkovic A. & Bogicevic (2021) and Le, Nguyen, & Tran, (2019) found liquidity is an insignificant interpreter of the dividend payout ratio. According to the Al - Kayed (2017) studies, traditional banks' prior dividends, liquidity, profitability, growth, and leverage negatively impact dividend yield. Yusof & Ismail (2016) mention past dividends exclusively.

1.2. Theoretical Background

1.2.1. Agency Theory

Agency theory refers to an agreement among one or more individual as the principal (owner) hire another individual in management (agent) to perform the task on behalf of the owner (Destriana, 2016; Jensen & Meckling, 1976). The separation between ownership and management function is the leading cause of agency problems as, in different circumstances manager (agent) does not always work in accordance with the need or interests of the principal

(owner). However, the agency problem arises as both the parties have different interests, and the agent no longer tends to follow the owner's interest of maximizing firm value, which leads to conflict between agent and principal as agents tend to pursue personal motives, which leads to increase in agency cost. According to agency theory, ownership is widely dispersed in the large business, which reduces the capability of shareholders to monitor firms funding activities, therefore, causing asymmetrical information, which leads to an increase in agency cost.

To influence the mismatched interests between managers and shareholders, optimal management of intellectual capital and dividend payout policies plays a vital role in the value creation process (Adams & Kirchmaier, 2016; Jensen & Meckling, 1976). Moreover, by involving intellectual capital in the firm disclosure process with the help of CEO attributes, the firm can align its interest with shareholder's expectations to reduce agency problems in order to enhance firm value. Considering that, firm with high intellectual capital efficiency use a dividend payout policy as an approach to enhance firm value and attain competitive advantage by aligning mismatch interest of agents and owners. The agency conflicts among management and shareholders decrease as female CEOs are more inclined to take better care of the interest of later. Thus, female chief executive officers promote high dividend payments instead of male (Adams & Kirchmaier, 2016), as it will create value for firm by align the mismatch interest and reducing agency cost.

Large firms tend to pay high dividends than small firms; therefore, firm size impacts dividend policy (Yusof & Ismail, 2016). A firm with a fixed financial burden such as debt interest and credit returns thus decreases firm liquidity. Hence, firms tend to pay lower dividends to their shareholders to maintain good cash flow and liquidity. Based on agency theory, Vo & Nguyen (2014), Faccio, Lang, & Young (2001), Jensen (1986) & Rozeff (1982) conclude that there is a

substitution between debt and dividends. According to Vo & Nguyen (2014), this substitution relationship between capital structure and dividend policy is a method used to control agency conflict.

In finance, dividend payout in terms of dividend policy is controversial. Numerous viewpoints regarding dividend policy is explored (Peyer & Vermaelen, 2016; Harris, Hartzmark, & Solomon, 2015; Li & Lie, 2006; Baker & Wurgler, 2004; Gomes, 2000; Jensen M. C., 1986; Easterbrook, 1984). Furthermore, dividend payout is an approach used by firms to reduce agency costs between administrative authorities and shareholders, which help to enhance the value of the firm based on agency theory. However, the theory of free cash flow the excess of cash available in the manager's hand and explains the disbursement of dividends at the expense of investing in substandard projects to reduce agency cost by mitigating agency conflict (Jensen M. C., 1986). In addition, paying dividends leads to a decrease in retained earnings that the insider (manager) may have to redirect and utilize for personal use or invest in unprofitable investments that provide personal gains (Easterbrook, 1984; Jensen M. C., 1986).

On the other hand, Easterbrook (1984) indicated that agents might be unable to manage flexible internal cash available in the firm after paying a large dividend, leading them to request additional external funding. Consequently, the likelihood of choosing substandard projects would reduce. Additionally, suppliers of the external fund would direct the firms according to their interests, so dividends payout would be a valuable technique to monitor managers and reduce agency conflict between internal and external shareholders (Peyer & Vermaelen, 2016; Gomes, 2000; Jensen M. C., 1986).

1.3.Research Gap

Over the decade, several studies have investigated the function and the influence of intellectual capital on diverse aspects of firms, such as Business models (Baima, Forliano, Santoro, & Vrontis, 2021), knowledge sharing, and crowdfunding (Vrontis, Christofi, Battisti, & Graziano, 2021), corporate social responsibility and firm performance (Nirino, Ferraris, Miglietta, & Invernizzi, 2020b), profitability and firm value (Singla, 2020). Nonetheless, a lot of research has concentrated on how intellectual capital helps a company gain a competitive edge (Vrontis, Christofi, Battisti, & Graziano, 2021; Jordao & Almeida, 2017; Reed, Lubatkin, & Srinivasan, 2006; Barney, 1991). However, intellectual capital plays a significant part in creating a company's competitive edge (Ginesti, Caldarelli, & Zampella, 2018) but marginally addresses its involvement in a company's finance, investment, and dividend distribution. According to Peppard & Rylander (2001), it is famous that intellectual capital is the capability of a firm to establish a competitive advantage and reflects in the formation of shareholder value over a period. Intellectual Capital can mainly help a firm to acquire exceptional skills to create value in due course (Liu, Tseng, & Yen, 2009). In this regard, Battisti et al., (2019), Damilano, Miglietta, Battisti, & Creta (2018), Miglietta, Battisti, & Garcia-Perez (2018) and Miglietta, Battisti, & Garcia-Perez (2021) assert that a specific hub for enhancing the value of shareholders has been identified in creating value.

Moreover, the recent corporate finance literature has found that chief executive officer (CEO) personal characteristics, attributes, and preferences influence corporate policies. For instance: culture (Naeem & Khurram, 2020); gender (Kumshe, Anaso, & Gulani, 2020; Khan, Yilmaz, & Aksoy, 2022); gender diversity (Ain, Yuan, Javaid, Zhao, & Xiang, 2021); age (Khan, Yilmaz, & Aksoy, 2022); degree (MBA) (Bertrand & Schoar, 2003); level of schooling/ Education (Khan,

Yilmaz, & Aksoy, 2022); past distress experience (Faulkner & García-Feijóo, 2021); tenure and Nationality (Yahaya Onipe Adabenege, 2022; Khan, Yilmaz, & Aksoy, 2022); overconfidence (Banerjee, Humphery-Jenner, & Nanda, 2018); sensation seeking (Cain & McKeon, 2016); optimisim (Ngyuen et al., 2018; Graham et al., 2013).

So, for a company to create value and increase shareholder wealth, its CEO qualities and intellectual capital are its two most important resources. However, at the same time, several other factors also affect dividend policies and so far, a plethora of studies has investigated dividend policy determinants (Tahir, Masri, & Rahman, 2020). Despite that, there is still disagreement over the variables determining the likelihood of dividend payments and dividend payout policies (Dewasiri, Koralalag, Azeez, Jayarathne, Kuruppuarachchi, & Weerasinghe, 2019). Where they stressed that these factors play a vital role in influencing firm dividend policy, yet still divided puzzle is unsolved. Therefore, due lack of research on intellectual capital and dividend policy and mixed results with CEO features, there is a gap and to fulfill this gap in literature of corporate finance. There is a dire need to explore and investigate the impact of intellectual capital (I.C.) and CEO characteristics on shareholder value, i.e., dividend policy.

1.4.Problem Statement

For decades, numerous researchers have been investigating determinants of dividend policy. Yet, so far, no consensus has been made on which factors influence the tendency to pay dividends and dividend payout policy (Deswasiri et al., 2017). Likewise, recent studies have found that along with other factor (profitability, liquidity, firm size and leverage) intellectual capital and chief executive officer (CEO) personal characteristics, preferences also influence company decision and policies. Dividend policy is an integral part of a company's funding decision, that how much will be retained or reinvested in the firm and how much funds to give away among shareholders

(Hoang, Dang, & Tran, 2020; Nam, 2019). However, if the firm chooses to pay returns as dividends, it will increase its value by reducing agency costs. On the other hand, it will decrease total internal earnings/financing sources so it is essential to explore that how Intellectual capital and CEO characteristics will influence dividend payout policy.

1.5.Research Objectives

- To investigate the impact of intellectual capital (VAIC^{TM}) on firm's dividend policy in Pakistan.
- To examine the impact of the firm's CEO characteristics (gender, education, experience) on its dividends policy in Pakistan.

1.6.Research Question

- To what extent does intellectual capital impact the dividend payout policy
- To what extent do CEO characteristics affect dividend payout policy

1.7.Significance of the study

In this current knowledge era, the intellectual capital (IC) area has recently gained significant consideration among academics, practitioners, and consultants. The firms compete with each other, relying more on intangible resources such as employee abilities, innovations in process and organization, technologies, creativity, relationships with external partners, and industry networks (Berezinets, Garanina, & Ilina, 2016; Keong Choong, 2008; Kujansivu, 2007; Cordazzo, 2005).

In academic research, the importance of intellectual capital has been recognized in a broader perspective to explain the determinants of national competitiveness and success (Roos, 2017; Vale, Branco, & Ribeiro, 2016). These days, corporate success and growth are related mainly to

intellectual capital (Ginesti, Caldarelli, & Zampella, 2018; Jordao & Almeida, 2017). Ginesti et al. (2018), state that creating a competitive edge for the company requires intellectual capital. Moreover, to achieve the firm's ultimate goal of value creation, it is elemental to find interrelationships between investment, financing, and dividend payout decisions (Brealey, Myers, & Allen, 2020). Recent literature (Ting, Chen, Kweh, Sui, & Le, 2021) investigated the capability of the distinctive aspects of intellectual capital (human, relational, and structural) capital to assess their impact on the management resources of investment banks, which are crucial for carrying out profitable investments. Consequently, this led to a study of the cause-and-effect relationship between intellectual capital and corporate financial decision (Kweh et al., 2021). Therefore, the interrelationship and linkages between intellectual capital, CEO characteristics, and dividend policy need further investigations

However, corporate finance also concerns dividend payout policy and financing decisions. For instance, dividend payouts can reduce agency costs between administrative and shareholders, resulting in augmentation of firm value, demonstrating that paying dividends is based on agency theory. Dividend payouts may signal the eminence of stable returns (Huang & Paul, 2017; Dong, Robinson, & Veld, 2005; Miller & Rock, 1985; Bhattacharya, 1979). Furthermore, an increase in the intellectual capital efficiency of the management leads to a decrease in the cost of capital (cost of debt) while increasing the firm's value, avoiding financial distress situations (Dumay & Tull, 2007). Conversely, when a firm faces difficulty and cannot fulfill its financial obligation, it is considered financially distressed. This uncertainty influences CEO decisions regarding the dividend payout policy, which links with performance, financing, and investing decisions and sends information to investors. While investing, investors carefully consider how firm money

should be spend, and for this purpose, they thoroughly analyze the firm's future profits, payout, developments, and working/ financial conditions.

However still, the dividend policy is a dilemma: What factors determine the dividend payout? There are multiple reasons why dividend policy might be essential, and many of the claims made about the dividend policy are economically irrational. Nevertheless, regarding dividend decisions, firms have only two choices; to either pay or not pay dividends and retain to increase capital for investment financing in the prospect (Hoang, Dang, & Tran, 2020; Kato et al., 2002; Miller & Rock, 1985). Thus, intellectual capital efficiency and CEO characteristics affect dividend policy, which is a crucial part of corporate finance decision, similar to all other decision. Due to the lack of prior empirical studies on IC, CEO characteristics, and dividends payout policy, the primary purpose is to fill this significant gap in the corporate finance literature to contribute new evidence and broaden past empirical studies on dividend policy.

1.8.Detailed Outline

The scheme of the study is as follows chapter one introduction, theoretical background research gap, and significance of the study. The second chapter provides past empirical studies related to Intellectual capital, CEO characteristics, dividend policy, and hypothesis development. The method of data collection, nature of study & techniques are described in Chapter 3. The fourth chapter discusses empirical findings and the fifth chapter discusses concluding remarks, implications, limitations, and future directions.

CHAPTER 2

2. LITERATURE REVIEW

2.1.Intellectual Capital

In the current knowledge era, intellectual capital plays a crucial part in creating a firm competitive edge (Vrontis, Christofi, Battisti, & Graziano, 2021; Bhatti, Vorobyev, Zakariya, & Christofi, 2020; Jord~ao & Almeida, 2017; Yaseen, Dajani, & Hasan, 2016; Jardon & Martos, 2012; Barney, 1991). Numerous definitions and conceptual frameworks have been developed due to the components' complexity and immateriality. However, the notion that intellectual capital unifies all knowledge capital and influences a firm's value creation is still widely held (Ginesti, Caldarelli, & Zampella, 2018). However, past investigation helps to define relational, structural, and human capital as the three main elements of intellectual capital (Bamel, Pereira, Del Giudice, & Temouri, 2020; Iazzolino & Laise, 2016; Edvinsson & Malone, (1997); Edvinsson, 1997). Human capital refers to employees' skills, experience, and knowledge. It allows the employees to achieve a competitive advantage and produce economic value in due course. Therefore, in this sense, the hr department plays a crucial part in managing all the distinctive facets of the human element of intellectual capital (Delery & Roumpi, 2017; Pereira & Malik, 2015). Based on resource base theory, human capital is the foundation for creating a continuous competitive edge as it enables finding answers and attracting capital, which helps to enhance the efficiency & effectiveness of the whole company (Coff & Kryscynski, 2011).

Whatever stays inside the business after employees leave for their homes is referred to as the structural capital (Roos J., Roos G., Dragonetti, & Edvinsson, 1997). It includes information

resources, a culture of an organization, and an administrative viewpoint. Moreover, by boosting their 'intellectual performance,' the employees can recognize their ability and potential (Chen et. al., 2004).

In the end, relational capital incorporates interaction and association with the customers, government, association, and suppliers. However, based on the resource-based view, the company's edge attained over competitors not only by the employees working in the firm (human capital) or the process within the firm (structural capital) as well as the relationship a firm develops with its stakeholders over a while (Liu, Ghauri, & Sinkovics, 2010).

According to Peppard & Rylander (2001), it is famous that intellectual capital is the capability of a firm to establish a competitive advantage and reflects in the formation of shareholder value over a period. Mainly a firm can generate value when it can direct its human and organizational components (Liu, Tseng, & Yen, 2009).

However, Cabrita & Vaz (2006) emphasize that the value of intellectual capital establishes and maintains skills, capabilities, information, and competencies at the company's internal and external levels, boosting the process of firm value development. Even though value creation is frequently discussed, financial research defines wealth of the shareholders' maximization as the firm's main priority (Battisti, Miglietta, Nirino, & Villasalero Diaz, 2019; Miglietta, Battisti, & Garcia-Perez, 2018; Damodaran, 2006). Intellectual capital positively correlates with the dividend payout ratio in the Chinese context and this relation is strengthened by female CEO, weakened by CEO age and education had no effect (Battisti, Nirino, Christofi, & Vrontis, 2022).

The function of a dividend policy continues beyond creating a firm's value, but it is a prime topic of the agency problem. The Agency theory is the conflict of interest among a principal (owner) as well as agents (managers) (Jensen & Meckling, 1976), as agents tend to enhance profit for

their own to the loss of shareholder wealth because of the existence of usual asymmetrical knowledge, which enhances the capacity of agents to make decisions (Manos, 2003). However, it thus goes against the widely held idea that the company's priority should be to maximize profits for its shareholders, so tools are required to realign the interest within the firm. Thus, the payout policy plays a significant part in positioning the interest among agent and principal (La-Porta et al., 2000), so conflict of interest among the shareholders and agent increases agency costs because of the parting interest of ownership and management (Jensen & Meckling, 1976). These costs lessen the firm's value for shareholders. According to La-Porta et al. (2000), payment of dividends mainly helps defend the interest of minority shareholders with a trivial amount of power over management decisions, reducing agency costs and maximizing shareholder value over a period.

Moreover, intellectual capital facilitates towards alignment of interest among shareholders and managers. The firm's ability to account for these intangible characteristics in the firms accounting record enhances the effectiveness of intellectual capital along with that it also reduces the agency cost associated with it by decreasing the mismatch of management and stockholder interests (Goebel, 2019; Giacosa, Ferraris, & Bresciani, 2017). Additionally, dividend policy is among the most crucial topics regarding forming a firm's value.

However, primarily Miller & Modigliani (1961) affirm that dividend payout policy is irrelevant to a stockholder. Hence, the firm's value is solely influenced by the investment decision taken by the firm's managers. On the other hand, DeAngelo, DeAngelo, & Stulz (2006) highlighted how dividend payout choices are unimportant in the development of value for stockholders. However, the reality is that if a company does not pay shareholders and spends the same sum of money on the project, having zero net present value (NPV) leads to a decrease in the equity value in the

same amount (DeAngelo & DeAngelo, 2007). Furthermore, the firms with a stable dividend payout policy are far more valued instead of those, which do not pay dividends (Karpavicius, 2014). Thus, this results in the "smoothing effect," in which firms maintain a constant dividend payout policy. Companies that constantly pay are viewed as better investments than those that do not pay dividends because of their superior prospects (Karpavicius & Yu, 2018). Therefore, the dividend distribution policy comprises information according to the signaling theory of managerial expectations regarding future potential income (Nirino, Battisti, Papa, & Miglietta, 2020). The shareholder would negatively view a potential dividend reduction and expect a decline in future earnings to reduce shareholder value (Karpavicius, 2014; Bhattacharya, 1979).

2.2. CEO Characteristics'

Furthermore, past research has highlighted how a CEO's attributes influence choices made by the company (Serfling, 2014), such as how an intrinsic characteristic of a person can lead to inclination and fear of taking risks (Cronqvist et al., 2012). In a study, Withisuphakorn & Jiraporn (2017) particularly consider gender differences in detail as differentiation in handling women and men also happens in critical positions. The differences between managing directors, male or female, are often clearly expressed in different multi-dimensional and multi-faceted management of the company, such as behaviors, attitudes, and moral decisions (Cumming, Leung, & Rui, 2015) Nevertheless, a lot of advantages are acknowledged by a female chief executive officer. Companies operated by a female chief executive officer are much less uncertain, more efficient in capital allocation, and show more consistency in performance (Faccio, Marchica, & Mura, 2016).

Ye, Deng, Liu, Szewczyk, & Chen (2019) show that they have stability in their choices, and these characteristics influence the firm dividend policy. On the other hand, the firm's growth is also affected by business strategies such as decisions regarding dividend payout because the decision to retain the earnings or pay as a dividend depends on the behavior and characteristic of a decision-maker (McGuinness, Lam, & Vieito, 2015). The agency conflicts among management and shareholders decrease as female CEOs are more inclined to take better care of the interest of later. Moreover, female chief executive officers promote high dividend payments instead of male (Adams & Kirchmaier, 2016), and improve clarity by developing more significant obligations between shareholders and managers (Abad, Lucas-Perez, Minguez-Vera, & Yague, 2017). Bear et al., (2010) found that females demonstrate a strong relational ability by enhancing firm relational capital.

However, according to Bolbol, (2012), gender is negatively and insignificantly associated with dividend payout. A female director on the board positively influences dividend yield and payout (Al-dhamari, Ku Ismail, & Al-Gamrh, 2016). Elmagrhi, Ntim, Crossley, Malagila, Fosu, & Vu (2017) found that level of dividend out and board gender diversity have a negative and significant relationship. Benjamin & Biswas (2019) found that CEO gender and dividend policy have a positive association. In contrast, Kumshe, Anaso, & Gulani (2020) discovered no meaningful correlation between the gender of the CEO and the dividend payout policy. Furthermore, female presence on the board of directors has a significant and favorable association with a declaration of dividends (Thompson & Manu, 2021). The increase in male presence on the board positively influences dividend per share, whereas an increase in female and minority shareholder on the board negatively affect dividends (Nwidobie, 2020).

In the Chinese board context, gender diversity is favorably associated with the dividends policy (Ain, Yuan, Javaid, Zhao, & Xiang, 2021). A female on board in a firm and its ethnicity is a significant positive determinant of dividend payout policy (Mohy-ud-din, Ahmad, Ishaq, & Akram, 2022). However, Khan, Yilmaz, & Aksoy (2022) discovered no connection between payout ratio and gender diversity.

Additionally, CEO experiences generated over the years also influence the dividend policy. According to (Serfling, 2014), young CEOs tend to implement riskier investment projects and strategies, leading to less cash to distribute among shareholders. Therefore, the young CEO's conduct aims to maximize their effectiveness in exhibiting strong leadership abilities and thus potentially failing to match their interests with those of stakeholders (Zweibel, 1995). In another research, Patzelt (2010) studied that the CEO's age, experience in years, and educational qualification significantly contribute to the IC's efficiency inside the organization. Moreover, CEOs with more experience and education are better equipped to create a firm's environment where human and relational capital perform better (Mahajan & Lummer, 1993).

Furthermore, the setting enables the growth of structural capital in conjunction with method effectiveness, firm reform, as well as the establishment of advantage over competitors (Barney, 1991). Therefore, the educational qualification of the chief executive officer influences corporate decisions. According to Hambrick & Mason (1984), CEO education is crucial in determining a CEO's strategic direction. CEOs with higher degrees achieve higher returns on investment and stock returns than lower levels of degrees (Cheng et al., 2010). However, significantly different levels of education can result in a substantial difference in the steps of general manager decision-making (Dittmar & Duchin, 2015). In a study, King, Srivastav, & Williams (2016) recommended that educational qualification act as a factor, and when it is higher, analytical reasoning enhances

management ability. Furthermore, the level of schooling enhances decision-making capability, leading to improved handling of dividend payments and generating profit for the firm's stockholders by aligning management's and shareholder's interests and reducing agency costs (Naeem & Khurram, 2020).

Ghardallou, Borgi, & Alkhalifah (2020) studied the impact of Saudi companies registered upon the Tadawul stock exchange's success is influenced by the CEOs' schooling, work experience, and tenure. They discovered that a chief executive officer's education matters, so CEOs with professional/high-level degrees perform outstandingly better. Long CEO tenure also enhances the productivity of Saudi corporate firms. Therefore, these results show that CEO characteristics are an essential variable that accounts for performance variations.

On the other hand, collective organizational phenomena are set in motion at the individual level, i.e., the firm's value (Foss, 2011; Felin & Hesterly, 2007; Felin & Foss, 2005; Adner & Helfat, 2003). According to Henderson, Miller, & Hambrick (2006), Herrmann & Datta (2006), and Sibin, Levitas, & Priem (2005) the CEO will enhance their knowledge, competencies, understanding of the environment, managerial skills, and learn to embark on organizational changes over time. Furthermore, the CEO's age is generally proxy for their experience level and preferences regarding change and risk-taking (Herrmann & Datta, 2006). Therefore, it is thought that young chief executive officers will get more knowledge and experience about the company with time (Henderson, Miller, & Hambrick, 2006; Buchholtz, Ribbens, & Houle, 2003). Moreover, once CEOs surpass middle age, their mindset changes towards increased conservatism (Henderson, Miller, & Hambrick, 2006; Buchholtz, Ribbens, & Houle, 2003; Herrmann & Datta, 2006; Hambrick & Mason, 1984). Therefore, particularly older CEOs are

less attracted to and intend to take on new and innovative concepts (Hambrick & Mason, 1984) as they tend to sustain the current state (Steven, Beyer, & Trice, 1978).

Consequently, long-tenured CEOs choose a smaller amount of risk as well as help the firm aligns its interest with shareholders' expectations by using a dividend payout policy to reduce agency problems and enhance firm value. A long-term CEO has connections with an abundance of industry and unique information; it is essential in firms with stable markets but less crucial in volatile settings with frequent or severe shifts (Sibin, Levitas, & Priem, 2005). A CEO with a long-term and particular knowledge base has more significant limitations than one with widespread tenure changes (Henderson, Miller, & Hambrick, 2006; Miller D. , 1991). Therefore, long-term CEOs are likely to employ efficiency-oriented and incrementally changing strategies, while short-term CEOs launch strategies for product innovativeness and distinctiveness (Rajagopalan & Datta, 1996).

Furthermore, according to Barker & Mueller (2002), long-tenured CEOs are typically more risk-averse and conservative because they frequently take charge of research and development strategies and change investments to reflect their values. Long-term CEOs typically refrain from riskier tactics to reduce the possibility of economic flux (Thomas, Litschert, & Ramaswamy, 1991).

Moreover, Long tenure CEO builds a solid commitment to the firm's status quo and tends to cling to former policies (Rajagopalan & Datta, 1996). Finally, long-tenured executives learn more about their companies and industries over time but are less likely to make significant organizational changes. Thus, long term CEOs tend to hold on to previous plans and, over time,

build a solid loyalty to the organizational status quo and do not expect them to change the dividend payment policy frequently.

According to Ghosh & Sirmans (2006), the length of the CEO's tenure affects dividend yield and payment. Feng, Ghosh, & Sirmans (2007), also discovered a favorable association between CEO tenure and Dividend policy. CEO tenure and DP were also positively significant (Chuah, Cha, Ho, Ku, & Ng, 2015).

According to research by Onali et al. (2016), CEO tenure and dividend policy have a negative effect on European-listed banks. Kumshe, Anaso, & Gulani (2020), found no correlation between CEO tenure and dividend payout. Briano-Turrent, Li, & Peng (2020) studied Latin American family-CEOs, CEO demographics, and dividend payout. They found that the dividend distribution has consistently and significantly negatively influenced CEO tenure. Madyan M. et al., (2021) examined the connection among both CEO tenure and dividend payment ratios, and they discovered that it did not significantly amplify the favorable effect.

Additionally, Khan, Yilmaz, & Aksoy (2022) discovered that tenure and gender have an insignificant relationship with dividend payout. Yahaya (2022) found that CEO nationality, gender, tenure, turnover, and equity ownership have a positive association with dividend policy. In contrast, CEO duality, listing age & firm size have a significant negative and association with dividend policy.

2.3.Dividend policy

Dividend policy refers to how much profit a firm will be distributed among shareholders and how much to retain to reinvest in the firm (Halim, 2015). The dividend payout ratio will also

determine the amount of earnings retained in the firm as a source of internal funds (James & John, 2013). However, dividend policy refers to a firm's decision over whether or not to distribute profits to investors, also known as earnings/dividend per share.

Investors depend on dividend payments to guarantee the holding of stocks for a longer time. Thus, dividend policy directly influences the choice to pay the dividend regularly. Distributing a dividend to shareholders is critical in maintaining a firm's positive reputation. The decision to pay the dividend positively influences the firm's profit. Moreover, the dividend payout exhibits the company's capacity to pay back its debt. Dividends are related to the profit distribution among shareholders to achieve the shareholder's wealth maximization goal.

Several studies have investigated dividend policy, but which factors impact dividend policy still needs to be determined. According to Bhattacharya (1979), the higher the dividend paid, the higher the firm's profitability. The firm with higher profits will raise its dividend payout (Jensen & Meckling, 1976; Jensen, Donald, & Zorn, 1992). Firm size and dividend payout positively correlate (Smith & Watts, 1992). Furthermore, (Alli, Khan, & Ramirez, 1993) investigated pecking order and residual theory, and they found that the payout ratio enormously decreases agency problems. Moreover, firms with financial flexibility follow a stable dividend payout policy. The announcement of dividends shows how stable a company's future profits will be (Kale & Noe, 1990).

Large and profitable firms have higher dividend payments, and firm size and profitability positively affect dividend payout policy (Fama & French, 2001). Later, DeAngelo, DeAngelo, & Skinner, (2004) extended the research of Fama & French (2001); larger scale firms and high earnings are significantly associated with dividends. Firm size and dividend payout ratio

positively correlate (Skinner & Soltes, 2011). In contrast, according to Grullon, Michaely, & Swaminathan (2002) study, profitability negatively impacts the dividend payout ratio.

In addition, the firm's gear, size, and growth prospects affect dividends in Nigeria (Olantundun, 2000). In another study, Charitou (2000) found that cashflows were positively associated with dividend payments in Japan. Furthermore, (Hashemi & Zadeh, 2012; Ramli, 2010; Ahmed & Javid, 2009; Juma'h & Pacheco, 2008; Anil & Kapoor, 2008; Al-Malkawi, 2007) supported the results. Free cash flow positively and significantly impacts the payout ratio of firms registered Newzealand stock exchange (Dhiensiri, 2009). On the other hand, (Appanan & Simm 2011; Gill, Biger, & Tibrewala 2010; Anil & Kapoor, 2005) studied that profit negatively impacts dividend policy. Utami & Inanga, (2011) and Imran, (2011) found that payout policy and cashflow have a significant and negative relationship, whereas (Al-Kuwari, 2009; Al-Shubiri, 2011; Mehrani, Moradi, & Eskandar, 2011) studied that payout policy and cash flow have an insignificant relationship.

Conversely, a company with financial leverage needs extra money to pay off its debts; therefore, these firms pay a low dividend rate to the shareholder, reducing the earnings. Debt financing has a significant adverse association with the payout ratio in Jordan-listed firms (Al-Malkawi, 2007). However, Al-Shubiri (2011), Ramli (2010), and Kowalewski, Stetsyuk, & Talavera (2007) found similar results. On the contrary, Appanan & Simm (2011), Gill, Biger, & Tibrewala (2010), and Chag & Rhee (1990) discover that financial leverage affects dividend policies in a significant and positive manner. For instance, the more debt a company has, the greater the dividend payment. However, Foroghi, Karimi, & Momeni (2011), Mehrani, Moradi, & Eskandar (2011), Al-Shabibi & Ramesh (2011), Al-Kuwari (2009), and Ahmed & Javid (2009) investigated that debt, and dividend policy has an insignificant relationship between them. On the other hand,

Smith & Watts (1992) and Gaver & Gaver (1993) examined that the dividend payout and leverage are positively correlated. In contrast, leverage and payout ratios have an adverse link with corporate growth.

According to Farinha (2003), Dividends paid to shareholders aid in reducing the agency's difficulties in two ways: firstly, by reducing the free cash flow, and secondly, by increasing financial leverage. Furthermore, in UK firms, Local ownership is strongly associated with dividends policy.

Ho (2003) studied that firm size positively affects dividend policy in Australia. However, in Japan, dividend payout has a favorable association with liquidity. However, the risk has an adverse relationship, but industrial influences were considerable across both nations. Profitability, tax, and cash flow have a positive connection with dividend payout; at the same time, there is a negative association with volatility, market-to-book ratio, institutional shareholding, and firms growth in listed firms in Ghana (Amidu &Abur, 2006).

Ayub (2005) collected data from one hundred eighty firms listed on the Karachi stock exchange market. They discover a significant association between dividends and retained earnings, ownership, and revenue but a negative association with liquidity. In addition, only 23% of firms paid their profit in the form of dividends, but after achieving some growth in earnings because of additional investments, firms eventually started paying dividends.

Khang & King (2006) explored information asymmetry. They found that a firm payout policy is disturbing when insiders have an information advantage during stock trading and concluded that firms with large dividend payout have small insider profit. Furthermore, Baker et al. (2007) found that firm with higher profits pays higher dividends in several Canadian companies.

Dividing firms' earnings into two parts retained earnings and dividends. A firm with a more external source of financing has a high dividend payout, which ultimately affects the firm's share price (Denis & Osobov, 2008). Firms distribute some of their earnings as dividends and retain the rest to invest in profitable projects in the future (Anil, 2008). Later, Anil & Kapoor (2008) identified that corporate tax, sales growth, cash flows, and market-to-book ratio did not affect payout policy; In contrast, only liquidity influences the payout rate of dividends in India's technology sector.

Al-Twaijry (2007) studied that present dividends are influenced by past and future dividends and are somewhat associated with the firm's net income. However, firm size significantly impacts dividend per share (DPS) in the emerging market of Malaysia. Afterward, Appannan & Sim (2011) studied that the after-tax profit was directly proportional to dividends paid per share, leverage, and past dividend per share significantly impacted the dividend payout ratio in Malaysia.

On the other hand, Denis & Osobov (2008) investigated payout policies in multiple regions (Germany, Canada, Japan, France, the United States, and the United Kingdom). They found that bigger and most lucrative firms pay high dividends. However, other than in the USA, there is minimal evidence of a favorable relationship between dividend payout policy and non-paying corporations.

Al-Kuwari (2009) examined Gulf Cooperation Council (GCC) listed firms and discovered that companies distribute dividends to decrease agency conflicts and do not believe in a lengthy dividends payout approach. Moreover, company size, earnings, and government ownership have a significant positive association, while leverage was negatively associated with dividend policy.

Ahmad & Attiya (2009) studied that financially sound firms pay high dividends. Further, they found that concentrated ownership, as well as liquidity, also have a positive influence, size has a negative, and growth opportunities have no connection with dividend payout. Operating cash flow and profitability have a positive association, whereas dividend distribution policy is influenced negatively by cash-flow, ownership structure, leverage, and firm size (Afza & Mirza, 2011). Skinner & Soltes (2011) investigated all firms of NYSE accepts and found that fewer firms pay dividends as a result of loss, while individuals preferred to put their money into firms that pay stable dividends.

Ahmed & Javid (2009) investigated nonfinancial listed companies on the Karachi stock exchange (KSE) and found that a less profitable firm pays a minuscule dividend. They also found that growth and financial leverage negatively affect dividend payout. Later in 2010, they studied that concentration within the management and individuals negatively affects dividend payment. Firm size and price instability have a significant positive connection with dividend yield and payout (Asghar, Shah, Hamid, & Suleman, 2011).

Moreover, Imran (2011) investigated the factors affecting dividend payout and found that the dividend per share and last year's dividend has a positive association. While sales growth, firm size, and profitability negatively affect the firm's cash flow. According to Asghar, Shah, Hamid, & Suleman (2011), dividend yield and dividend payout have a significant and positive relation to a company's stock price and size in nonfinancial corporations (chemical, sugar, synthetic fibers, cement, and engineering).

However, in the banking sector, dividend payments depend upon retained earnings, cash available, earnings per share, and income (Farah, 2011). Furthermore, the banking sector of

Ghana's dividend payment policy depends on collateral capacity, leverage, earnings, as well as the rate of growth (Agyei & Marfo-Yiadom, 2011). Dividend payments in Korea's financial sector are significantly related to risks and returns (Lee, 2009). In African registered companies, ownership structure and firm age are significantly associated with the dividend policy, whereas agency cost and leverage are negatively associated (Nnadi, Wogboroma, & Kabel, 2013).

Mehta (2012) found that the firm size and profitability have a favorable and considerable impact on payout policy choices in companies listed on the Abu Dhabi Stock Market. Similarly, in Kenya's non-financial industry, dividend policy is significantly associated with growth, return on equity, and earnings (Musiega, Alala, Douglas, Christopher, & Robert, 2013). Deshmukh, Goel, & Howe (2013) explore that distribution policies and financial leverage have a negative connection. Booth, Aivazian, Demirguc-Kunt, & Maksimovic (2001) study that debt and uncertainty (risk) negatively influence payout policy, as debt financing increases the cost of funding.

Gul, khan, & Rehan (2013) investigated the non-financial and financial firms listed on the KSE 100 index and found that size, liquidity, profit, and earnings per share have a significant positive association with dividends policy. On the other hand, the dividend payout decision negatively affects sales growth and financial leverage. Moreover, Arif & Akbar (2013) also investigated non-financial firms in Pakistan and studied firm size, market opportunities, and earnings all have a favorable impact, but taxes hurt the dividends payment policy.

Almeida et al. (2014) found a positive correlation between the previous year's payment and large size. In contrast, debt financing and net income have negatively affected the dividends decision

of Portugal's non-financial firms. Likewise, Kaźmierska-Jóźwiak (2015) also discovered that dividend policy has a detrimental impact on leverage and profitability.

Sanjari & Zarei (2015) examined 70 companies registered on the Tehran stock exchange, both financial and non-financial. They came to the conclusion that firm size, capital structure, and liquidity all had a strong and favorable association with dividend distribution. However, growth plus profitability has a strong negative association with the dividends payout policy. Furthermore, they concluded that the firm's dividend payments grow with an increase in company size, leverage, and liquidity, whereas the dividends decrease with earnings and growth.

Kuzucu (2015) investigated listed firms in Turkey, where earnings, growth rate, family control, and debt financing have a negative impact. In contrast, price earnings ratio (P/E), firm age, and size positively affect dividends payout. In 22 firms in Nepal, Adhikari (2015) discovered that liquidity and profitability have a positive effect, whereas firm size reduces the dividend payout ratio.

Forti, Peixoto, & Alves (2015) identified that growth of profit, firm size, market to book, liquidity, and return on assets have a favorable impact. In contrast, debt and risk hurt the dividend policy in Brazil. Moreover, the dividend payment is correlated with size, liquidity, market value, profitability, and earnings growth, supporting corporate finance theory.

According to data from fifty-six financial institutions registered on the Kuwait stock exchange, Dr. Bahaa Awad (2015) identified that dividend was positively associated with earnings, company size, and financial leverage. Bushra & Mirza (2015) investigated 75 firms from the Karachi stock exchange, 100 index firms. They found that profitability, sales growth, and

ownership concentration have a significant positive association with dividends payment, whereas the size of the firm has an unfavorable effect.

Gakumo & Nanjala (2017) investigated that the earnings per share have a significant and positive relationship with dividend payment, whereas leverage and business risk have a negative relationship with payout decisions in non-financial and financial firms listed at Nairobi Exchange. Ahmad & Muqaddas (2016) found that financial efficiency and risk negatively impact safety, and profitability positively impacts dividend policy in Pakistan's banking sector.

Khan, Naeem, Rizwan, & Salman (2016) investigated 60 listed textile firms on the Pakistan stock exchange. Their findings indicated that financial leverage, liquidity, and profit have a negative connection with payout policies, whereas price-earnings ratio and firm size have no relationship. Moreover, they stated that most studies on dividend policy are done in emerging economies all over the earth but more minor in emerging economies such as Pakistan, for which the significance of dividends payout is still not well recognized.

Additionally, firm net income has a positive impact, whereas retained earnings negatively impact the dividend payout policies of the companies registered on the Mauritius stock exchange. (Soondur, Maunick, & Sewak, 2016). According to Jabbouri (2016), firm size, liquidity, and profit positively impact the dividends payout relation. However, Investment opportunity, profit, cash-flows, size, and growth of the firm have positive associations, but liability has a negative association with dividend policy in the listed firm of Malaysia (Mat, Mokhter, Ali, Kasim, & Zani, 2017).

Sugiastuti, Dzulkirom, & Rahayu (2018) explained the association of leverage and profitability with dividends payment and the value of banking firms registered on the Indonesian stock

exchange. However, it has been concluded that leverage and profitability considerably affect dividend policy while insignificant and negative affect firm value. Karpavicius & Yu (2018) discovered a favorable association between dividends payout and company valuation.

Ahmed, Rafay, & Ahmed (2018) liquidity and financial leverage are vital indicators and help policymakers and investors to assess the performance of Pakistan's Islamic Banking Industry. Ali, Mohamad, & Baharuddin (2018) studied the influence of business ownership structures on payout policies in a Malaysian context. They found that financial leverage and business size are negatively connected with the dividend payout ratio, whereas corporate structure and earnings have pretty solid and favorable associations.

Chukwuebuka & Okegbe (2020) identified a substantial association between the payout ratio and the total debts of the firm or long-term debts. However, no significant association exists among payout ratio and short-term debts in Nigerian gas and oil firms.

Ullah, Bagh, & Arif (2019) studied elements influencing dividend payout policies in Pakistan's food industry. They found that profitability, liquidity, and leverage have a strong positive connection to the dividend payment. On the other hand, a firm's risk and opportunity for growth have a considerable negative relationship with dividend payments.

N. Jayantha Dewasiri et al. (2019) identified determinants of dividends in emerging and developing markets (Sir Lanka). They found that past dividend decisions, corporate governance, free cash-flow (FCF), earnings, investment opportunities, profitability, government ownership, size of the company, as well as sector impact the tendency to give away dividend payments. However, prior payouts, earnings, capital investments, and payout premiums affect dividend payout.

Arif, Urooge & Malik (2020) studied the factors influencing dividend payments in the Pakistani context. They found that the firm's liquidity, earnings, and financial leverage were favorable and substantially connected with the dividend payout ratio than company risks and advancement opportunities.

Kadim, Sunardi, & Husain (2020) recognized firms modeling value of the listed automotive firms on the Indonesia stock exchange using firms' financial ratios, intellectual assets, and dividend payout. They concluded that profitability, liquidity, and solvency ratio had no significant impact on payout policies, whereas dividend decision is substantially influenced by firm value. Moreover, financial measures of firms intervene by dividend payout were solely affected by earning and solvency ratio, whereas intellectual capital and liquidity variables had no effect.

Khan, Abbasi, Ahmad & Arshad (2020) investigated the dividend policy drivers of ninety-one non-financial entities registered in the Pakistan stock market. They discovered that a company's dividend policy is related to financial leverage, company tax, and business size in a positive and significant way. Profitability, on the other hand, has a negligible association with dividend payments.

Jozef R. Pattiruhu & Paais (2020) studied the effect of liquidity, profitability, leverage, and company size on payout policies of the estate, property investment, and constructing enterprises that are mentioned only on the Indonesian stock market. The dividend decision was unaffected by the current ratio, return on equity, or size of the company. On the contrary, debts to equity ratio and return on assets positively and significantly influence dividend policy.

Ariwinata & Badjra (2021) found that profitability and gross domestic product positively and significantly affect service firms that are mentioned only on the Indonesian stock market. However, the firm's size is negative but significantly influences the firm's dividend decision.

Jovkovic, A., & Bogicevic (2021) investigated the factors that influence the dividend payment of Serbian firms, and they discovered that the previous year's dividend has significant relationships in predicting future dividends. However, profitability, leverage, dividend payout rate, and bank size do not impact payout policy.

Faulkner & García-Feijóo (2021) explore that the company's dividend policies are influenced by the CEO's prior experiences with organizational distress. They found that CEOs with distressed experience events at any stage of their professions, even while serving in non-chief executive officer roles in another company, affect their judgment regarding dividend payment. Because they change dividend policies when they get hold of the CEO post, additionally, they favor repurchases above dividend increases and are more likely to disburse lower dividends.

Setyabudi (2021) investigated the Indonesian stock exchange manufacturing industry and studied the relationship between dividend policy and the effects of earnings, leverage, and institutional shareholding upon firm value. They found that leverage and profitability significantly influence payout policy and firm value. In contrast, institutional ownership significantly influences dividend policy but does not affect firm value.

2.4.Hypothesis Development

2.4.1. Intellectual capital and dividend policy

Past literature identified human, structural and relational capitals are the three main elements of intellectual capital (Bamel, Pereira, Del Giudice, & Temouri, 2020; Iazzolino & Laise, 2016; Edvinsson & Malone, (1997); Edvinsson, 1997). According to Coff & Kryscynski, (2011) human capital is the foundation for sustainable competitive advantage as it enables finding explanations/solutions to problems and attracts capital to enhance the efficiency & effectiveness of a whole company. Human capital, the process within the firm, and the relationship a firm will create with its stakeholders over time helps it achieve a competitive advantage (Liu, Ghauri, & Sinkovics, 2010). Intellectual capital establishes and directs skills, abilities, talents, and knowledge inside as well as out of the company, enhancing the firm value creation process (Cabrita & Vaz, 2006). This value creation view as a particular hub for increasing value for shareholders (Battisti, Miglietta, Nirino, & Villasalero Diaz, 2019; Damilano, Miglietta, Battisti, & Creta, 2018; Miglietta, Battisti, & Garcia-Perez, 2018; Nirino, Santoro, Miglietta, & Quaglia, 2021). Intellectual capital positively correlates with the dividend payout ratio in the Chinese context (Battisti, Nirino, Christofi, & Vrontis, 2022).

Based on agency theory, considering that intellectual capital plays a crucial role in value creation by utilizing dividend payout policy as a strategic tool to create value for a firm, it is considered:

H $_1$: Intellectual Capital (IC) positively correlates with a firm's dividend payout policy.

2.4.2. CEO characteristic and dividend policy

CEO characteristics also influence corporate decisions within a firm. It is assumed that the women's personality is such that they are more inclined to create as few problems/conflicts as possible. They develop a business through an array of skills and knowledge to enhance the firm's value. Moreover, Ye, Deng, Liu, Szewczyk, & Chen (2019) show that they have stability in their choices, influencing firm dividend payout policy. The efficiency of a firm's intellectual capital with women as managing directors or on the board is enhanced (Nadeem, Farooq, & Ahmed, 2019). According to Adhikari et al. (2019), male CEOs are inclined to take high risks compared to female chief executive officers.

A female director on the board positively influences dividend yield and payout (Al-dhamari, Ku Ismail, & Al-Gamrh, 2016). According to Benjamin & Biswas (2019) CEO gender and dividend policy positively correlate. In contrast, Kumshe, Anaso, & Gulani (2020) discovered no statistically significant relationship between CEO gender and dividend payout policy. Furthermore, the presence of women on the board of directors has a positive and significant association with the declaration of dividends (Thompson & Manu, 2021). Khan, Yilmaz, & Aksoy (2022) discovered that tenure and gender have an insignificant relationship with dividend payout.

On the other hand, the CEO's characteristics also help make good decisions for the firm to maximize shareholder wealth. Moreover, the higher the CEO's education level will enhance decision-making capability and lead to improved dividend management and value creation for the company's shareholders by aligning the interest of management and shareholder and reducing agency costs (Naeem & Khurram, 2020).

The CEO's age is generally proxy for their experience level and preferences regarding change and risk-taking (Herrmann & Datta, 2006). Therefore, once CEOs surpass middle age, their mindset changes towards increased conservatism (Henderson, Miller, & Hambrick, 2006; Herrmann & Datta, 2006; Buchholtz, Ribbens, & Houle, 2003; Hambrick & Mason, 1984). Therefore, older CEOs are less attracted to and devoted to novel/ground-breaking concepts (Hambrick & Mason, 1984; Chown, 1960). In addition, they tend to sustain their position (Steven, Beyer, & Trice, 1978) and clinch their prior policies (Barker & Mueller, 2002; Rajagopalan & Datta, 1996).

Briano-Turrent, Li, & Peng (2020) studied Latin American family CEOs, CEO demographics, and dividend payout. They found that the dividend distribution has consistently and significantly negatively influenced CEO tenure. Onali, Galiakhmetova, Molyneux, & Torluccio (2016) found that CEO tenure and dividend policy have a negative effect. Yahaya (2022) found that CEO nationality, gender, tenure, turnover, and equity ownership have positive. In contrast, CEO duality, listing age & size of the firm has a significant and negative association with dividend payout policy.

H_2: CEO gender has a favorable connection with the firm dividends payout policy.

H_3: CEO with higher educational levels have a positive effect on dividends payout policy.

H_4: The tenure of the CEO has a positive influence on dividend payout policy.

2.5.Conceptual Framework

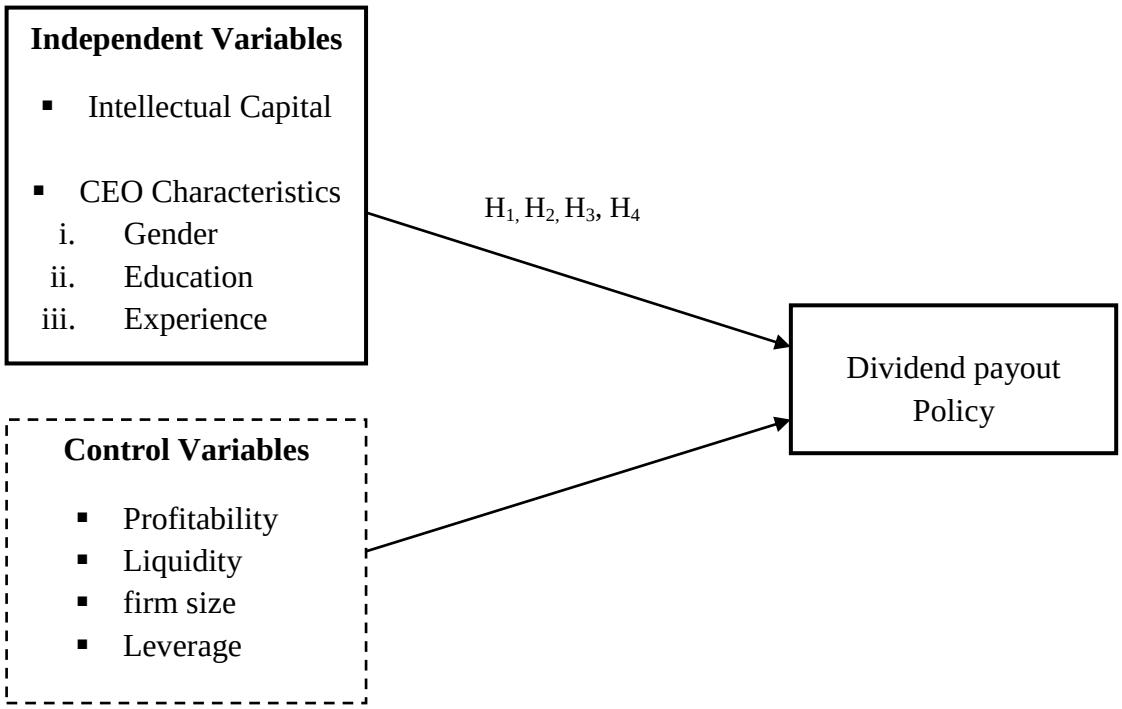

Figure 1 (Model)

CHAPTER 3

3. METHODOLOGY

3.1. Purpose of the study

The purpose of the study is to investigate the relationship and impact of Intellectual capital and CEO characteristics (gender, education, and experience) on dividend policy. Furthermore, the purpose of the study is not to understand changes in these policies during the change of CEOs but to study the impact of CEOs' characteristics on these aspects.

3.2. Population and Sample

This research is quantitative in nature. The target population for this study is Non-financial firms registered on the stock exchange of Pakistan (PSX), which is ideal for the study. Furthermore, to sustain consistency and comparability of data, financial firms; for instance, insurance firms and banks are excluded (Doni, Larsen, Bianchi, & Corvino, 2019) as financial services firms illustrate their financial statements differently. Thus, retrieving and comparing data from financial is complex. Moreover, this study ruled out the firm that did not distribute dividends, as those firms do not present data necessary for determining intellectual capital and CEO characteristics.

3.3. Data collection

All the financial information is derived from the firms' yearly financial reports available on the stock exchange of Pakistan. However, data for CEO characteristics are obtained from different sources such as LinkedIn profiles, firms' websites, and Google.

3.4. Time period

For this study, the time period considered is from 2016 to 2021, as this six year duration offers recent data for analysis.

3.5. Variables Description

3.5.1. Dependent Variable

3.5.1.1. Dividend Policy

This study employs one dividend policy indicator indicated by Barros, Verga Matos, & Miranda Sarmento (2020) and Wu, Ni, & Huang (2020). Generally, when there is a significant decrease in revenue, there is a chance that the firm will distributes higher dividends, as a substantial dividend shrink would have a pessimistic impact on shareholders (Yang, Chou, & Zhao, 2020). Furthermore, dividends payment also indicates how much revenue is retained to reinvest in the firm as an internal source of funds (James & John, 2013).

Dividend Payout ratio: Cash paid to shareholder / Net Income

3.5.2. Independent (Explanatory) Variable

3.5.2.1. Intellectual Capital

The firm's intellectual capital is measured with the value-added intellectual coefficient (VAIC^{TM}) proposed by Pulic (2004) which is entirely consistent with the knowledge-based economy.

The value added intellectual coefficient is sum of three efficiencies obtained from three for sources of capital with a combination of value added (VA).

- Firstly, value of the firm's value added (VA) is calculated as the total of depreciation, amortization, employee cost and operating profit

Value Added = Operating profit (EBIT) + Employee cost (Salary + Labor expense) + Depreciation +Amortization

- Secondly, to calculate VAIC^{TM} three key elements are incorporated in:

i. Human Capital Efficiency (HCE), equals to

HCE = VA / HC

HCE = Value-added / (total salary and Labor expense of firm)

ii. Structural Capital Efficiency (SCE), equals to

SCE = SC / VA

SCE = (Value added – Human Capital) / value-added

iii. Capital efficiency employed coefficient (CEE), equals to

CEE = VA / CE

CEE = value-added / Net assets

So,

Value added Intellectual Coefficient (VAIC^{TM}) = HCE + SCE + CEE

Although there are some limitations, but still Andriessen (2004) underlined how VAIC^{TM} is best for quantitative analyses, particularly with the availability of the data that formulate it up.

3.5.2.2. CEO Characteristics

Three components are considered to assess the impact of CEO attributes on dividend policy: Gender (Frye & Pham, 2018), education (Jalbert, Rao, & Jalbert, 2002; King, Srivastav, & Williams, 2016) and experience/tenure (Balsmeier & Buchwald, 2015; Kumshe, Anaso, & Gulani, 2020). For CEO gender, CEO education and experience data is gather from firm's

website, financial reports and LinkedIn Profile. Moreover, assigning dummy variables to CEO characteristic:

For CEO gender, the value of one (1) is given to female CEOs, and male CEOs are assigned a value of zero (0) (Frye & Pham, 2018).

For CEO education, the type of degree data is collected (undergraduate, master's, Ph.D.) and then split into two levels: low or high. Value of one (1) if the CEO has a high level of education, and a value of zero (0) is used for a low level of education (Jalbert, Rao, & Jalbert, 2002; King, Srivastav, & Williams, 2016). For example, the chief executive officer holding an undergraduate, master's / MBA, or a Ph.D. has a high level of education, and a CEO holding a lower bachelor's degree has a low level of education.

For CEO experience, CEO tenure in office in years is collected **(**Balsmeier & Buchwald, 2014; Kumshe, Anaso, & Gulani, 2020). Value of one (1) if the CEO's tenure is greater than equal to three years and value of zero (0) if the tenure is less than three years.

3.5.3. Control Variables

Based on past studies following variables are control variables as they have significant effect on dividend payout policy.

3.5.3.1. Liquidity

A firm with a high level of cash tends to pay higher dividends to its shareholders. Liquidity is measured with the current ratio, current assets divided by current liabilities (Wu, Ni, & Huang, 2020).

Current Ratio = Current Assets / Current Liabilities

3.5.3.2. Profitability

The return on assets (ROA) of a company is use to quantify the impact of profitability on dividend policy. Profitable firms typically have a consistent dividend policy over time (Ye, Deng, Liu, Szewczyk, & Chen, 2019).

ROA = Net Income / Total Assets

3.5.3.3. Leverage

Leverage is measure by the ratio between total financial liabilities and total equity. Leverage is utilized because companies with higher degrees of leverage typically pay out less dividends because the funds are needed to repay the debt. (Ye, Deng, Liu, Szewczyk, & Chen, 2019).

Debt to Equity ratio = Total Financial Liabilities / Total Equity

3.5.3.4. Firm size

Generally, a firm with higher market capitalization tends to pay high dividends to their shareholder. Firm size is measure with the natural logarithm of a firm's total assets (Adjoud & Ben Amar, 2010).

Firm Size = Natural Log of Total Assets

3.6. Estimation Method

STATAMP- 14 software is use to perform linear and longitudinal panel data regression analysis for hypothesis testing, as various panel regression alternatives are accessible. To choose the appropriate option between random effect and pooled OLS (linear) regression method, the LM test (Breusch Pagan Lagrangian multiplier test) is used with the "H_0 hypothesis that variance across the entities is zero or there are no significant differences across entities". The insignificant p-value (1.00) of the LM test leads in favor of pooled OLS regression by accepting the null

hypothesis that there is no random effect. The fixed effect model is run before proceeding further in favor of pooled OLS regression. The Hausman specification test is used to choose the appropriate option between the fixed effect or random effect model. According to Aivazan et al. (2005), "independent effects are uncorrelated with independent variables, and the fixed effect estimator and random effect estimator should not be statistically different." The significant p-value (0.000) of the Hausman test led us to reject H_0 in favor of the fixed effect model as a panel regression model. Before considering the fixed effect model as panel regression to check whether a fixed time effect is required, testparm is use to determine whether each year coefficients are jointly equal to zero. The significant p-value (0.000) of testparm indicated that a year fixed effect is required. Wooldridge test for autocorrelation in panel data is perform to check the autocorrelation problem. The significant p-value (0.000) leads us to reject the null hypothesis (H_0) that there is no first-order autocorrelation. Furthermore, to test groupwise heteroskedasticity, a modified Wald and Wooldridge test is perform where the significant p-value (0.0000) leads to rejecting the null hypothesis in favor of the data having heteroskedasticity issues. The pesaran's, and friedman's test for crossectional independence is insignificant indicating there is no cross-sectional independency among panel with p-value (0.6724, 0.9458).

The data is a balanced set with no cross-sectional dependedency, multicollinearity or endogeneity issues, but the data suffers from first-order autocorrelation and heteroscedasticity issues. Generalized Least Squares regression analysis is an enhanced and flexible linear regression method as it allows for control for potential heteroscedasticity (unequal deviation of error) and the crossectional dependence, first-order serial autocorrelation (correlation of errors across observations) issues in the data set (Bai, Choi, & Liao, 2020). Therefore, the Generalized

least squares (GLS) regression model is perform with error structure across panels (hetroskedastic but uncorrelated) and form of autocorrelation (panel specific AR(1)) due to presence of heteroskedasticity, serial autocorrelation issues in the data but no crossectional dependency.

Consequently, dividend policy is a function of intellectual capital, CEO gender, CEO education, CEO experience, profitability, leverage, firm size, and liquidity. The econometric equation of the study is as follows:

$$DPR_{it} = \alpha + \beta_1 IC_{it} + \beta_2 GEN_{it} + \beta_3 EDU_{it} + \beta_4 EXP_{it} + \beta_5 PRO_{it} + \beta_6 LEV_{it} + \beta_7 SIZ_{it} + \beta_8 LIQ_{it} + Year_t + \varepsilon_{it}$$

Where,

- α represent Intercept/ constant
- DPR_{it} represents dividend payout ratio in time t of firm i
- IC_{it} represents Value Added Intellectual coefficient ($VAIC^{TM}$) in time t of firm i
- GEN_{it} represents CEO Gender in time t of firm i
- EDU_{it} represents CEO Education in time t of firm i
- EXP_{it} represents CEO Experience in time t of firm i
- PRO_{it} represents Profitability in time t of firm i
- LEV_{it} represents leverage of firm in time t of firm i
- SIZ_{it} represents firm size in time t of firm i
- LIQ_{it} represents Liquidity in time t of firm i
- $Year_t$ represents time fixed effect
- ε_{it} represents error term

Chapter 4

4. Results

4.1. Descriptive Statistics

Table 1: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
DPR	1446	.308	.301	0	1.212
VAIC	1446	4.293	4.956	.301	59.37
GEN	1446	.016	.125	0	1
EDU	1446	.553	.497	0	1
EXP	1446	.751	.433	0	1
PRO	1446	.058	.077	-.214	.515
LIQ	1446	1.555	.905	.102	5.923
SIZ (log)	1446	15.967	1.524	12.042	19.991
LEV	1446	1.262	.965	.020	6.730

Table 1 shows descriptive statistics, i.e., minimum, maximum mean, and standard deviation value of dividend payout ratio (DPR), intellectual capital coefficient (VAIC^{TM}), CEO traits (gender, education, and experience), Profitability (ROA), liquidity (CR), firm size (FS) and leverage (DTE). The paneled data comprises 241 nonfinancial firms from 2016 to 2021 over six years.

The dividend payout ratio (DPR) means value of (0.308), and the standard deviation (0.301) indicates that average dividend payout ratio of nonfinancial firms is (.308), and its deviation from the mean is (0.301). The minimum value of DPR is (0), and the maximum value of (1.212) indicates that firms do not have fixed or stable dividend payout policies. The variation between their payout policies is high.

The intellectual capital coefficient (VAIC^{TM}) has an average mean value of (4.293) and a standard deviation of (4.956) which is almost half of the mean value (9.10) and standard deviation (8.2) reported in China (Battisti et al., 2022) but the higher than the mean value of VAIC average mean value of (3.015) in banks of Pakistan (Haris et al., 2019). Chief executive officer (CEO) traits are measure with a dummy variable, gender, education, and experience minimum value of (0) and maximum value (1).

The descriptive statistic for profitability (ROA) shows that the average return that nonfinancial firms gain is (.058). The average current ratio of firms is (1.555), indicating that their current asset is more than current liabilities. The average mean value of firm size is (15.967). The leverage (DTE) average mean value is (1.262) such that firms have taken Rs 1.262 of debt for every Rs 1 equity, indicating that firms are levered and the capital structure of these nonfinancial firms has more debt than equity.

4.2.Correlation

Table 2: Correlations Matrix

Variables	DPR	VAIC	GEN	EDU	EXP	ROA	CR	FS	DTE
DPR	1.000								
VAIC	0.247	1.000							
GEN	0.001	-0.033	1.000						
EDU	0.114	0.096	-0.030	1.000					
EXP	-0.069	-0.168	-0.004	-0.080	1.000				
PRO (ROA)	0.379	0.449	0.023	0.128	-0.085	1.000			
LIQ (CR)	0.189	0.090	-0.001	0.076	0.006	0.429	1.000		
SIZ (FS)	0.170	0.338	-0.012	0.174	-0.118	0.200	-0.022	1.000	
LEV (DTE)	-0.106	0.035	-0.015	-0.013	-0.018	-0.282	-0.555	0.096	1.000

Table 2 shows the correlation matrix of all the dependent, independent, and control variables. The correlation and covariance analysis is perform to identify the multicollinearity issues among the variables. The highest degree of positive correlation with dependent variable is between ROA and DPR with a value of (0.379), indicating a significant positive relationship with the dividend payout ratio such that those profitable firms will pay out more dividends. The highest Pearson correlation value with explanatory variable is between intellectual capital coefficient (VAIC^{TM}) and profitability (ROA) is (0.449), stating there is a significant positive correlation between them; the higher the intellectual capital of firm, the higher will be their profitability. The Pearson

correlation allows us to identify no multicollinearity between the variables because the coefficient correlation is less than (0.8) between the explanatory variables.

Furthermore, the variance inflation factor analysis is done to confirm there is no multicollinearity issues. As the mean VIF value is (1.30), and the minimum and maximum value range from (1.002 to 1.458). According to past literature (Hair, 1995), the threshold value of VIF is equal to 10 or more, so it is confirm that the data does not undergo a multicollinearity problem.

4.3.Regression Analysis

Table 3: Regression (GLS Model)

DPR	Coef	P-value
VAIC	0.0125***	0.002
GEN	0.0520**	0.049
EDU	0.0553***	0.000
EXP	0.0111*	0.068
PRO (ROA)	0.600***	0.000
LIQ (CR)	0.0361***	0.000
SIZ (FS)	0.0302***	0.000
LEV (DTE)	-0.00285	0.692
Constant	-0.304***	0.000
Year Effect	Yes	
Observations	1,446	
Wald chi2	871.71	
Prob > Chi2	0.000	
Number of ID	241	
Time periods	6	

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

According to Table 3, Intellectual capital shows a positive and highly significant impact on dividend payout policy with a p-value (0.002). The results are consistent with (Battisti et al., 2022). The rationale behind the positive relationship and significance is that intellectual capital helps the firm to make informed decisions and align its interest with shareholders' expectations to reduce agency problems by using dividend payout as an alternative way to enhance firm value. Therefore, a firm with higher intellectual efficiency shows that it can evolve and manage intellectual capital efficiency and improves firm profitability. In addition, intellectual capital has shown a positive influence on sharing excess cash among shareholders; hence, it sends a positive signal to the market that the firm has a better future, confirming the signaling theory regarding dividends (Bhattacharya, 1979). Intellectual capital unifies all knowledge capital and influences a firm's value creation. Therefore, intellectual capital guides a firm to intelligently & efficiently utilize their profit to align their mismatched interests by reducing agency costs to create value for the firm by creating value for shareholders. According to agency theory perspective, in absence of substantial project firms will use excess cash available to pay dividends to shareholders to align mismatch interest between managers and shareholder to reduce agency cost. This create value for shareholder and firm, as the news of dividend payment send positive signal about firms stability and reliability to market about sustainable prospect of the firm which will then translate in to increase in firms share price. Therefore, it can be said that when firms have substantial growth projects that bring huge profit for firm so they will invest in positive net present values project to create value for firm but otherwise they will use dividend policy as a strategic tool to increase their firm value.

The traits of the chief executive officer (gender and education) influence the dividend payout policy. The p-value (0.049) and coefficient value (0.0520) show that CEO gender is positively

and significantly associated with dividend payout policy because agency problems between shareholders and management tend to decrease as female CEOs promote high payout policy to take better care of firms prospects to avoid conflict of interest. The results align with Yahaya Onipe Adabenege (2022) and Ain, Yuan, Javaid, Zhao, & Xiang (2021) as they discovered a statistically significant relationship between CEO gender (female) and dividend payout policy.

CEO education has a positive and significant association with dividend payout policy. The p-value (0.000) and coefficient value (0.0553) show that CEO education is positively and significantly associated with dividend payout policy. The rationale behind this is that having an advanced level of schooling improves one's decision-making ability, which improves dividend management and creates value for the company's shareholders by aligning management's and shareholders' interests and reducing agency costs. The result of CEO education is in line with Khan, Yilmaz, & Aksoy (2022). Thus, the CEO's level of education significantly affects dividend payout policy as it is their knowledge and analyzing power based upon which they decide to pay depending upon the firm's future and current prospects.

On the other hand, CEO experience has slightly positive and significant impact with coefficient value (0.0111) with p-value (0.068) at 10% level. However, the a little significant impact indicates that long term of CEO affect dividend decisions. Long term CEO tends to maintain their status quo and seek less risk to assist firm in aligning its interests with shareholder expectations by utilizing a dividend payment strategy as a way to mitigate agency cost and boost firm value. The results for CEO experience are consistent with Yahaya Onipe Adabenege (2022) and McGuinness et al (2015).

In addition, profitability and liquidity with a p-value of (0.000) indicate that ROA and CR have a positive and highly significant impact on DPR. The rationale is that the higher the firm's

profitability and liquidity, the higher the dividends payments made to shareholders to reduce agency costs by mitigating agency conflict, as the excess cash available in the manager's hand explains the disbursement of dividends at the expense of investing in substandard projects. The results of liquidity are consistent with Ullah, Bagh, & Arif (2019), Arif, Urooge, & Malik (2020), Wu, Ni, & Huang (2020). In contrast, profitability results are in line with Setyabudi T. G (2021), Angelia & Toni (2020), Kadim, Sunardi, & Husain (2020), Purwanto, Sanjaya, & Kawisana (2021), and Dewasiri et al., (2019).

Firm size shows that there is a significant positive impact on dividend policy. Firm size and dividend payout ratio have a significant and positive association, as larger firms tend to pay more significant dividends. They prioritize dividend payments, leading to a higher dividend payout ratio, as they have no substantial projects (positive NPV) to invest their funds so they tend to pay out more dividends to avoid agency conflict. The results of FS are consistent with Khan M. A. et al. (2020), Dewasiri et al. (2019), and Yusof & Ismail (2016).

The coefficient (-0.00285) with a p-value of (0.692) shows a negative and insignificant association between DTE and DPR. This shows firms with high debt ratios do not affect dividend payments made to their shareholders. The findings reveal that firms do not want to suffer from financial strain, so they tend to serve the cost of debt. The results of DTE are consistent with Jovkovic, A., & Bogicevic (2021) and Le, Nguyen, & Tran (2019).

Overall, in the context of agency theory, the study highlights the significance of intellectual capital in driving firm value creation and the role of CEO traits, particularly gender in shaping dividend payout policies to align with shareholder interest to mitigate agency cost.

In knowledge-driven world, intellectual capital guides a firm towards competitiveness, to maintain and leverage this edge firm use a dividend payout policy as a strategic tool to create value for the firm. The agency theory ensures that agents act in the best interest of principals leading to more effective and efficient management practices. Therefore, this alignment reduces agency conflict/cost and promotes value creation for shareholders ultimately contributing to the overall wealth creation of the firm. The intellectual capital of a firm positively correlates with the firm profitability signifying that the higher the firm intellectual capital higher there profitability, and the higher the profitability the higher liquidity/excess of cash available with the firm. Dividends are relevant as when the firm with high intellectual capital does not have any profitable or positive net present value projects opportunities to invest in to generate value for the firm, they distribute dividends among shareholders to mitigate the agency conflict and create value. Therefore, the excess cash will not be available in the hands of agents for their opportunistic behavior that they can spend in their favor. The distribution of dividends will send a positive signal to the market about the firm's great prospects. The news of dividend payment will affect the firm's share price and will create value for the firm.

On the other hand, gender diversity in leadership roles, experience, and level of schooling also play an important role as it allows them to make, wise and informed decisions to align mismatched interests to mitigate agency conflict. Female CEOs are conflict avoider so to avoid agency conflicts among management and shareholders decrease as female CEOs pay dividends to take better care of firm’s latter prospects.

The high level of schooling and experience among the agents can help to reduce agency conflict in several ways. Firstly, CEOs with higher level of education possess strong analytical and

critical thinking skills which enables them to make more informed decisions to align long-term interests with principals thus they have enhanced decision-making skills.

Secondly, education and long-term experience equip CEOs with vast knowledge of the industry as they have a deeper understanding of the business operation, finances of the firm, industry they are working. Thus, it reduces the information asymmetry between the agent and principal. This transparency helps to reduce the opportunistic behavior and build trust.

Thirdly, higher education enables improved communications as when CEO effectively communicates allowing to easily conveying the complex information and strategic plans with clarity. This transparency minimizes the misunderstanding and aligns the goals.

Lastly, CEOs with higher education and experience are characteristically better equipped to assess risks and can easily develop strategies to lessen the risk. This ability helps them to predict and address the potential challenges to reduce the chances of adverse effects and associated agency costs.

Overall, female CEOs, higher level of schooling and long-term experience contributes to effective agency relationships leading to lower agency conflicts by making dividend payments and enhance wealth creation for principals. Moreover, firm's profitability, liquidity and size also play an important part in determining dividend payout policy.

Chapter 5

5. Conclusion

This study examines the role of intellectual capital and CEO traits on dividend payout policy in Pakistan. The research finding confirms that intellectual capital positively and significantly affects dividend payout policy. The results are consistent with (Battisti et al., 2022). Overall, an improvement in the IC efficiency of an organization's resources (employees, structural capital, and net assets) is visible in a rise in the VAIC, which enhances the firm's capacity to generate new economic value. Therefore, Intellectual capital helps firm employees make wise, informed decisions and aligns their mismatched interests to reduce agency costs by using dividend payout as an alternative way to enhance its value. The results show that increased intellectual capital efficiency leads to increased profits, cash dividends paid to shareholders, ultimately increasing the firm's value (Karpavicius & Yu, 2018).

CEO characteristics have shown a significant impact on dividend payout ratio. Female CEO, CEO with high education level and long-term experience (greater than three year) tends to pay more dividends to reduce agency cost/ agency conflict to align mismatch interest of shareholders and managers. According to Ain, Yuan, Javaid, Zhao, & Xiang (2021) Gender diversity is favorably associated with the dividends policy. CEO gender and dividend policy positively correlate (Benjamin & Biswas, 2019). Yahaya O. A. (2022) found that CEO nationality, gender, tenure, turnover, and equity ownership have positive impact. Diversity in nationality, experience and educational background play an influential role in encouraging companies to pay high dividends (Khan, Yilmaz, & Aksoy, 2022). The results for CEO characteristics are consistent with Yahaya O. A. (2022), Ain et al. (2021) and Khan, Yilmaz, & Aksoy (2022).

Profitability, liquidity, and firm size positively and significantly influence dividend policy. This indicates that a firm's decision-making to pay dividends also depends on the firm's profit, liquidity, and size. The firm with higher profit, liquidity, and size pays higher dividends. However, firms with higher debt prioritize paying off their financial liabilities instead of making dividend payments. The Wald chi2 value of 871.7 (p-value = 0.000) suggests that a statistically significant linear connection between the dependent and independent variables is true. This study accepts hypothesis (H_1, H_2, H_3, & H_4) based on agency theory as intellectual capital and CEO characteristics (gender, education and experience) positively influence dividend payout, instead of reinvesting or retaining earning to invest in sub-standard project they distribute dividends to create value for the company's shareholders by aligning management's and shareholders' interests and reducing agency costs. Consequently, those dividend payments send positive signal in market about firm's future prospect, which ultimately increase firm's value.

5.1.Implications

5.1.1. Managerial Implication

Intellectual capital, CEO gender, and education have a favorable impact on dividend policy. Managers should take the initiative to promote gender diversity in leadership roles encourage higher levels of schooling for employees, and foster an organizational setting that values value-added intellectual capital. This study guides managers on how enhancing intellectual capital within the firm can drive value creation in the knowledge-intensive and dynamic business environment. Policy regulators should include incentives for firms that promote employee education, diversity in leadership, and talent development programs.

The managers should focus on the development of intellectual capital, by improving human capital efficiency because when employees are empowered with opportunities for learning, growth, and skills enhancement by providing continuous learning and skills development to enhance capabilities of employees, offer on-job / off-job training programs, mentorship initiatives educational resources that empower employees to develop their intellectual capital. This leads to higher operational efficiency and effectiveness. The streamlined workflows and innovative practices derived from intellectual assets lead to cost reduction, recourses optimization leading to an increase in operating profit, enhancing value added to the firm, higher the profitability, and ultimately value creation of shareholders and the firm.

Effective management of intellectual capital improves the firm's potential to generate value for stakeholders, including shareholders and employees. Leveraging intangible assets particularly information management, efficient use of capital, and innovation in the corporation boosts its success and generates higher profits/returns on assets. This leads to the distribution of dividend payments to improve shareholder's wealth and send a positive signal in the market related to the firm's better prospects depicting long-term survival.

This study helps managers to identify how VAIC, CEO characteristics, profitability, liquidity, and firm size influences dividend payout policy, so managers should focus on and improve the independent factors that influence the dividend payout ratio.

5.1.2. Theoretical Implication

This study guides all stakeholders, managers, and researchers. In the context of agency theory and its implication, when intellectual capitals have a positive impact on dividend payout it can be theorized through several methods.

Firstly, agency theory focuses on the alignment of interest between the principal (shareholder) and the manager (agent). When a manager effectively manages intellectual capital, it contributes to higher VAIC which further results in higher profitability. Keeping in mind managers adopt a dividend payout policy to reward shareholders to align mismatch interest.

Secondly, the increase in value-added intellectual capital signifies that intellectual capital contributes positively to the overall value creation of the firm. A firm with high VAIC generates high profits/revenues, so when there is no substantial project available for the firm to invest, managers tend to distribute dividends. This creates value for shareholders and the firm, as the news of the dividend payment sends a positive signal about the stability and reliability to the market regarding sustainable prospects that is later reflected in there share price.

Thirdly, according to past literature intellectual capital contributes to competitive advantage, so to maintain and leverage this advantage firm's use dividend payments as a strategic tool to create value for the firm by reducing agency costs.

Fourthly, effective management of intellectual capital helps to reduce agency costs of monitoring and controlling managers as shareholders view dividend payout policy as a signal that the firm is efficiently using its intellectual capital and resources to lower agency costs.

Moreover, along with intellectual capital, gender diversity in leadership roles and level of schooling also play an important role in making wise and informed decisions and aligning the mismatched interests of managers to reduce agency costs. Therefore, firm uses dividend payments as an alternative way to enhance its value.

5.1.3. Practical Implication

Intellectual capital coefficient/index is not available for the firms in annual report of the firms or on Pakistan stock exchange website. Therefore, the Pakistan Stock Exchange must introduce a platform where all firms' intellectual capital coefficient (VAIC^{TM})/IC index should be readily available so that all stakeholders and future researchers can easily access that VAIC to learn more about it. Moreover, it will also be helpful for the investor to identify, easily differentiate between firms with high intellectual capital efficiency and low VAIC to benefit from the findings of research associated with intellectual capital, and get a better understanding and clear picture. The information transparency resolve the conflicts between shareholder and mangers, enhances trust, confidence and positively influences firm dividend policy, ultimately enabling investors to decide to either invest or not.

5.2.Future directions

More studies should investigate the relationship between intellectual capital and dividend policy differently. They should include more CEO traits such as age, nationality, and CEO share ownership. Further, investigations should separately explain the relation of human capital efficiency, structural capital, and capital-employed efficiency (three components of IC) with dividend payout policy such that which one component has a strong relationship in determining dividend payout policy for better understanding.

5.3.Limitations

- Firstly, the time duration of the study is short (six years); therefore, consider a long period in the future.

- Secondly, this study focuses solely on nonfinancial firms listed on the Pakistan stock exchange; therefore, findings are limited to nonfinancial firms in Pakistan.
- Thirdly, the study investigated only three CEO characteristics, as data related to CEO traits was not readily available.

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