

The Effect of Corporate Governance on Bank's Dividend Policy: Evidence from Jordan

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ABSTRACT

This study aims at investigating the relationship between corporate governance measures and dividends policy, along with other control variables, such as tax charges, growth rate, market valuation of the bank's book value and profitability. Using all banks listed in Amman Stock Exchange during the period 2001-2009, the analysis is performed by employing each of the institutional ownership and top shareholders, separately, as a proxy of corporate governance (GC) and dividends payout ratio (DPR) as a proxy for the dividends. The empirical results show strong evidence on the importance of one simple CG measure, i.e. institutional ownership concentration or top shareholders, on bank's DPR. Similarly, there were evidences on the effect of tax charges, total assets growth rate, market valuation (MVBV) and profitability (ROE) on dividends policy. Thus, banks with more institutional investors or top shareholders have higher DPR, which is consistent with agency models of dividends. In addition, taxes, market valuation and profitability are negatively associated with DPR, which is consistent with stock valuation models.

Keywords: Corporate Governance, Dividend Policy, Banks, Jordan.

JEL Classifications: G34, G35, G21

1. INTRODUCTION

The main objective of a firm is to maximize shareholders' wealth, better measured by its stock price. Since the managers, who run the firm by a contract, are not 100% owners of that firm, thus an agency problem occurs. A motivation mechanism should be designed and implemented to align managers' interests with those of shareholders. However, the existence of such compensation plans could not deter managers from fraud and abuse of their power over the firm's control. Corporate governance (GC) had emerged as a mechanism for bridging the gap between management decisions and firm objectives.

Corporate governance is a system by which firms are directed and governed (Ajlouni, 2007). Institutional investors are the major players in the capital market. They are better informed with the firm's valuable information on future cash flows and strategic decisions. Whereby individual shareholders rely on public data, such as annual reports and released news. Hence, it is reasonable to expect that institutional investors may influence the management decisions about earnings and dividends (La Porta et al., 1999).

On the other hand, investors expect returns to their investment in firms. These returns might be current gain, i.e. dividends; or capital gain, i.e. stock price appreciation. In advanced markets, such as U.S and U.K, dividends are subject to double taxation: one as a corporate tax on firm's net income, and another one as an income tax on dividends. Thus, the debate there is about why firms pay dividends. Rozeff (1982) and Jensen et al. (1992) were among the first to empirically support the agency explanations for why firms pay dividends. However, in emerging markets, such as Jordan, where corporate governance is weak, dividend policy is central to alleviating the agency problem between managers and large controlling shareholders, from one side, and small outside shareholders, from another side. Agency theory states that outside shareholders prefer dividends than capital gain, because unless the net income is paid out to them, managers and large controlling shareholders might misuse it (Easterbrook (1984) and Jensen (1986)). However, to align the interests of managers with those of shareholders, Jensen and Meckling (1976) argued that agency costs can be reduced by increasing managers' ownership in the firm.

This study investigates the relationship between CG measures and the dividend policy in the Jordanian banks. It is expected that institutional and large controlling investors would influence bank's decisions on dividend payout ratio (DPR). Banks with higher institutional and large controlling investors' ownership ratio would have lower DPR. In addition, banks with stronger CG measures would have higher DPR. This paper proceeds as follows. Section 2 reviews the relevant literature. Section 3 discusses banks corporate governance in Jordan. Section 4 describes data, develops research hypotheses and formulates the research model. Section 5 shows the results of the empirical analysis. Section 6 summarizes and concludes the paper.

2. LITERATURE REVIEW

Current literature reveals the importance of corporate governance in promoting investors' protection and, hence, developing financial markets (see, for example, Shleifer and Vishny (1997), La Porta et al. (1999), and Lin et al. (2009)). In addition, literature has established a link between corporate governance and **corporate performance** (Danes (2001), Morck and Yang (2001), Gomper et al. (2003), Ajlouni (2007) and Bhagat and Bolton (2008)); **capital structure** (Novaes (2002)); **dividends policy** (Mitton (2004) and Zhang (2008)); **corporate competitiveness** (Ho, 2005); **market liquidity** (Hoshi et al. (1991), Dumitrescu (2010), Chung et al. (2010) and Wu and Liu (2012)); **long-term corporate investment** (Kang et al., 2006); **Tobin's q** (La Porta et al. (2002)), **financial crisis** (Johnson et al. (2000), Mitton (2002) and Baek et al. (2004)), and **corporate restructuring** (Park and Kim, 2008).

During the last decade, there was enormous body of literature investigated different aspects of CG. For example, Beiner et al. (2006) inspect the effect of CG on Swiss firm performance and find positive relationship. Particularly, board size is positively related to firm value. However, controlling shareholders and large block holders do not have such a significant impact. However, Ajlouni (2007) examines the effect of GC on Jordanian firm performance and finds weak relationship, indicating weaker implementation of GC measures and less developed financial market. Tomar and Bino (2012) examine the influence of CG on Jordanian bank performance. They find that banks with majority institutional ownership and affiliated board of directors have higher performance and lower risk. However, the number of directors has no impact on banks performance.

Johnson et al. (2000) find that the effectiveness of protection for minority shareholders in 25 emerging markets explains more of the variation in exchange rates and stock market performance during the Asian crisis. Andres and Vallelado (2008) conclude that there is an inverted-U shape between board size and performance in 6 developed countries (Canada, USA, UK, Spain, France and Italy). But, there is no significant relationship between the outsider non-executive directors and performance. Also, there is no relationship between board meeting and performance. Abbadi and Al-Zyoud (2012) investigate the impact of CG on UK management earnings and find that board commitment significantly reduces earnings management.

Kang et al. (2006) examine the relationship between long term investment expenditures and executive equity composition structure in the USA and find positive relationship. Claessens et al. (2002), for example, show that higher cash flow rights of the controlling shareholder, in firms from nine East Asian countries, are associated with higher market valuation, but higher voting rights correspond to lower market valuation. Johnson et al. (2000) find that the effectiveness of protection for minority shareholders in 25 emerging markets explains more of the variation in exchange rates and stock market performance during the Asian crisis.

Park and Kim (2008) test the view that firm-specific measures of GC affect firm performance during a crisis. They find that the economic crisis in Korea has a significant and negative effect on the market value of firms, but with a large cross-sectional variation. Firms with larger equity ownership by foreign investors experience a smaller drop in share value. Firms with higher disclosure quality and those with access to alternative sources of external financing also suffer less from the shock. Firms in which the controlling shareholder's voting rights exceed cash flow rights and those who borrow more from the main banks both have significantly lower returns. These findings suggest that firm-level differences in GC measures play an important role in determining changes in firm value during the financial crisis in Korea.

On the other hand, many literatures have studied the firm financial decisions and factors that influencing such decisions (see, for example, Higgins (1981), Rozeff (1982), Lloyd et al. (1985), Pruitt and Gitman (1991) and Jensen et al. (1992)). The empirical evidences point out to the link between dividend policy and firm-specific factors, such as firm **size** (Fama and French, 2001), **sales growth** (Gill and Tibrewala (2010) and Kania and Bacon (2005)); **profitability** (Gill and Tibrewala (2010), Kania and Bacon (2005) Mitton (2004)); **risk** (Gill and Tibrewala (2010) and Kania and Bacon (2005)) and **investment opportunities** (Kania and Bacon (2005), Mitton (2004)).

However, few studies have embodied corporate governance, including institutional investors, as a possible determinant of dividend policy. Mitton (2004) investigates this issue, using a sample from 19 emerging markets, and finds that firms with stronger CG have higher DPR, which is consistent with agency models of dividends. Zhang (2008) uses more specific CG measures and concludes consistent results with agency models of dividends. Firms with higher managerial membership on the board have lower DPR. Hamill and Al-Shattarat (2012) investigate the determinants of DPR in Jordan. They find that the level of inside ownership, the number of shareholders and the level of institutional ownership significantly affect the DPR. Firm size is significant supporting the transaction-cost hypothesis, while there is no evidence for the signaling hypothesis.

3. CORPORATE GOVERNANCE IN THE JORDANIAN BANKS

The financial crises demonstrated what risks would arise when financial institutions are subject to political influence, particularly, when corporate management is weak and lacks accountability, transparency and control (Wade, 2000). As a result of the crises, CG in the emerging markets has come under scrutiny. However, the literature on CG models in emerging markets is limited (Shleifer and Vishny, 1997), while that in Jordan is dearth. However, the emerging markets, including Jordan, tend to favor the Anglo-Saxon shareholder model, while not ignoring the stakeholder model (Ajlouni, 2007).

Jordan is a small, but vital country, located in the heart of the Arab World. It has a population of 6.5 million. The population is highly educated. Jordan has one of the most open political systems in the region. The basic infrastructure is well developed. Skill forces, communications, tax incentives and other facilities required for business are exceptionally good. The government has made efforts to create a liberal and attractive business environment (Ajlouni, 2007). Capital market in Jordan is among the oldest ones in the region. Established in 1978, it consists of three separate, but related entities. These are Jordan Securities Commission (JSC), Amman Stock Exchange (ASE) and the Securities Depository Centre (SDC). There are more than 260 companies listed, with more than US\$30 billion market value, representing more than 100% of the GDP and an average of one billion shares and 100 million bonds traded annually.

Jordanian corporations are regulated by the Companies Act of 1997 and Securities Act of 2002. Both laws require interval, transparency and timely disclosures of financial and non-financial information. The Controller of Companies, JSC and the Central Bank of Jordan are playing a vital role in supervising companies and banks and performing an agency control on the management of companies. Both authorities have the power to issue warnings, fines, suspend and de-list companies.

Furthermore, in its vision to have an efficient and competitive banking system in Jordan that meets international standards of best practices in risk management and corporate governance, the Central Bank of Jordan has issued the Bank Director's Handbook of Corporate Governance in 2004 and Corporate Governance Code in 2007. The Handbook has five main sections, each of which addresses a broad area of corporate governance and bank director responsibilities or duties:

1. Introduction and Background defines corporate governance, discusses why it is important for a bank's safe and sound operation and outlines best practices.
2. Director Standards, Values and Efficiency outlines qualities of bank directors and how boards can effectively and efficiently fulfill their responsibilities to shareholders, depositors and other stakeholders.
3. Management Selection and Oversight describes one of the board's most important functions and how it interacts with operating management.
4. Planning and Policies describes the board's responsibilities to approve and monitor implementation of plans and policies.
5. Internal Control and Audit discusses how the internal control system, internal audit and independent external audit interact and complement bank supervision.

The Code was drawn upon OECD Principles of Corporate Governance and the publication of Basle Committee on Banking Supervision entitled Enhancing Corporate Governance for Banking Organizations. The guiding principles of the Code are the following:

1. Fairness: Minority shareholders and other stakeholders are treated fairly and their interests are taken into account.
2. Transparency: Disclosure of information, financial, organizational, governance, related transactions, and executive compensation, needs to be adequate and timely for stakeholders to assess the performance of the organization. It is through the performance evaluation process that shareholders and depositors decide whether management and the board are performing to their expectations and share the same philosophy and values.

3. Accountability: Management is accountable and must answer to the board of directors for achieving plans and implementing approved policies that ensure the safeguarding of assets and the financial viability of the bank. In turn, the board of directors is accountable to the shareholders and other stakeholders.

4. Responsibility: Clear lines of responsibility need to exist in terms of delegations of authority and which actions or decisions require board approval or shareholder approval. Responsibility must be attributed in order to have accountability for results.

There is no recent evidence of CG scandal in Jordan and disclosures can be assessed as relatively good. That is so because Jordanian corporations are directed by good CG and disclosure principles. Ownership rights are secured and distinctly organized. Companies listed in the First Market of ASE are required to issue financial statement information quarterly, while those on the Second Market semiannually. The government, through its investment arm, the Investment Unit of the Social Security Corporation (SSC), holds a substantial stake in most of ASE large corporations. Although financial disclosure is good, access to dissemination of non-financial information is relatively weak (Ajlouni, 2007).

4. THE DATA

In order to examine the effect of CG on bank's dividends, the data set includes all banks listed in ASE during the period 2001–2009. There were 16 banks listed during the period of the study. Table (1) exhibits the descriptive statistics of financial information and ratios during the study period. During the period of the study, Jordanian banks' paid dividends (DPR) in an average of 26.53% of their net income, with highest ratio of 123.1% and lowest ratio of zero. CG is represented, firstly, by the percentage of institutional shareholdings (CG1=InstitAll) and, secondly, by the percentage of shareholders owning 5% of the total shares of the bank (CG2=Own5%). The mean of CG1 of all banks in the sample is 12.83%, with the highest ratio of 100% in the International Islamic Arab Bank, which is completely owned by the Arab Bank; and the lowest ratio of 5.87% in the Jordan Commercial Bank (was Jordan Gulf Bank until 2002) in 2002. However, the mean of CG2 of all banks in the sample is 59.42%, with the highest ratio of 100% in the International Islamic Arab Bank and 87% in the Arab Banking Corporation in 2009; and the lowest ratio of 8.3% in the Arab Bank in 2005. In addition to the CG and dividends measures described above, Table (1) also exhibits measures of the market value of the bank, represented by the market value to book value ratio (MVBV); bank's profitability, measured by the returns on equity (ROE); tax charges to represent the bank's ability to pay cash dividends; and the annual growth rate of the bank's total assets, to control for capital gains resulting from not paying dividends.

Table (1) is about here

In addition, Table (2) shows the ownership structure of Jordanian listed banks, exhibited by types and nationality of the investors. It can be seen from the table that individual ownership in Jordanian banks decreased, for the sake of institutional investors, from 45.9% in 2001 to 39.8% in 2009. In addition, foreigners who own 5% or more increased from 22.5% to 27.4%, while foreign governments' ownership disappeared at the end of the study period. The ownership of Jordanian government and its agencies, particularly the Social Security Corporation (SSC), in Jordanian banks increased slightly from 6.1% of the total ownership in 2001 to 7.7% in 2009.

Table (2) is about here

Hypotheses Development

The main hypothesis of this study is that certain corporate governance characteristics play an important role in determining the firm's dividend policy. This study uses two mutual exclusive measure of CG: the institutional ownership (Ajlouni, 2007) as well as the percentage of shareholders who own 5% or more of a bank; and dividend payout ratio (DPR) as a proxy for the dividends. Theoretically, well-functioning markets, such as the product market, the managerial labor market and the merger market, are the keys in establishing CG and, thus, ownership is irrelevant. Fama (1980) claims that ownership is an irrelevant concept since the firm are a set of contracts, while Jensen (1993) demonstrates the role of the market for corporate control. Thus,

H1: There is a positive relationship between ownership and dividend payout ratio.

The next four hypotheses are formulated to control for other variables that might have an impact on the bank dividends.

Cash is an important element of dividends. The vast majority of firms pay cash dividends most of the time. However, cash is also due to be paid for income taxes, and it is expected that the bank's ability to pay dividends is limited by how much tax charges has to pay. So,

H2: There is a negative relationship between tax charges and dividend payout ratio.

In addition, it is assumed that as the bank grows as it becomes under pressure of showing its investors the fruit of its growth. As a financial intermediary, a bank growth rate is better measured by the changes in its total assets, rather than its revenues. Consequently,

H3: There is a positive relationship between growth rate and dividend payout ratio.

It is well-known that the stock exchange has an impact on the firm's management decisions. Bank's dividend policy is most likely to be influenced by the market. How the market perceived the bank's performance can be represented by the market value to book value ratio. As a result,

H4: There is a relationship between market valuation and dividend payout ratio.

Finally, dividends are product of profits. More profit leads to more dividends, thus, less accumulation of retained earnings and less equity. If bank's profitability represented by the return on equity ratio (ROE), then it is expected to find an inverse relationship with DPR. Hence,

H5: There is an inverse relationship between profitability and dividend payout ratio.

The Results

This section examines GC measures and other explanatory variables that may be related to the bank's dividend policy. The analysis of the data is performed by using financial ratios. Dividend Payout Ratio (DPR) is a proxy for dividend policy, performance is indicated by Market Value to Book Value (MVBV) and profitability is represented by Return on Equity (ROE). Ownership structure, which is the percentage of shares held by (1) institutional investors and (2) top shareholders, i.e. who owns 5% or more. Control variables used in this paper that might affect the DPR include tax charges, growth rate in total assets, ROE and MVBV. Thus, the first model, uses institutional investors measure of CG, would be expressed in the following equation (1):

$$DPR_{it} = \alpha + \beta_1 INST_{it} + \beta_2 TAX_{it} + \beta_3 GROWTH + \beta_4 MVBV_{it} + \beta_5 ROE_{it} + \ell_1 \quad (E1)$$

Where (i) denotes a bank, and (t) a year.

The model tests whether banks with higher percentage of institutional investors have higher dividend payout ratio. Regression estimation results are reported in Table (3), and show that the dependent variable is the DPR and the independent variable of interest is the CG measure, i.e. institutional investors. The table demonstrates the results of a panel analysis. These results formed a basis for testing the research hypothesis. The null hypothesis is rejected at 5% level of significance or less. That is, institutional investors' ownership is relevant to bank's dividend policy. Banks with higher institutional investors' ownership have higher DPR.

Table (3) is about here

Column 1 in the table shows the coefficient on corporate governance measure without control variables. It indicates that 1% increase in the institutional investors' ownership is associated with 0.257% increase in DPR, and this conclusion is statistically significant at 5% level of significance. In subsequent columns, a new control variable is added. Firstly, a tax charge is added, then total assets growth rate, market value to book value, and ROE. It can be seen from the table that the magnitude of the coefficient increases slightly when adding more control variables, and always remain significant. In addition, Column 5 indicates the result of equation (1), which shows that the null hypotheses of H1, H3 and H5 are rejected at 5% level of significance or less, while H2 and H4 are rejected at 10% level of significance or less. Also, the signs of the coefficients of corporate governance measure and the total assets growth rate are positive, meaning positive association with DPR. While the sign of the coefficients of tax charge, market value to book value and ROE are negative, suggesting negative association with DPR. These results are consistent with the research hypotheses. Finally, ex-ante equation (1) can be expressed in an ex-post form, as in equation (2):

$$DPR_{it} = 62.225 + 0.291 \times INST_{it} - 0.158 \times TAX_{it} + 0.231 \times GROWTH - 1.193 \times MVBV_{it} - 0.595 \times ROE_{it} \quad (E2)$$

The second model, uses top shareholders measure of CG, would be expressed in the following equation (3):

$$DPR_{it} = \alpha + \beta_1 OWN5\%_{it} + \beta_2 TAX_{it} + \beta_3 GROWTH + \beta_4 MVBV_{it} + \beta_5 ROE_{it} + \ell_1 \quad (E3)$$

The model tests whether banks with higher percentage of investors who owns 5% or more have higher dividend payout ratio. The results are detailed in Table (4). The null hypothesis is rejected at 5% level of significance or less. That is, the percentage of investors who own 5% or more of the bank is relevant to bank's dividend policy. Banks with higher top ownership ratio have higher DPR.

Table (4) is about here

Once again, Column 1 in the table shows the coefficient on corporate governance measure without control variables. It indicates that 1% increase in the top ownership is associated with 0.191% increase in DPR, and this conclusion is statistically significant at 10% level of significance. As new control variables are added, the magnitude of the coefficient increases, and becomes more statistically significant. However, the model become significant only in column 4 and thereafter. In addition, column 5 indicates that the null hypotheses of H1 and H5 are rejected at 5% level of significance or less, while H4 at 10% level of significance, and H2 and H3 cannot be rejected. Also, the signs of the coefficients are similar to that in table (3) above.

Due to lack of significance in some of the control variables in equation (3), a new model is introduced in equation (4) as follows:

$$DPR_{it} = \alpha + \beta_1 OWN5\%_{it} + \beta_2 MVBV_{it} + \beta_3 ROE_{it} + \ell_1 \quad (E4)$$

Column (6) shows the regression estimation of this model. The results of which are consistent with those reported in table (3). The ex-ante equation (4) is re-written in an ex-post form, as in equation (5):

$$DPR_{it} = 65.351 + 0.259 \times OWN5\%_{it} - 0.203 \times MVBV_{it} - 0.520 \times ROE_{it} \quad (E5)$$

This model predicts that banks with more top shareholders have higher dividend payout ratio. Thus, the percentage of investors who own 5% or more of the bank is relevant to bank's dividend policy.

6. DISCUSSION AND CONCLUSION

The empirical results of this paper show strong evidence on the importance of one simple CG measure, i.e. institutional ownership concentration or top shareholders, on bank's DPR. That is, there is a role for the institutional shareholders in monitoring and controlling the behavior of the bank's management in terms of dividend policy. In fact, the correlation between DPR and the institutional ownership concentration ratio is (25.7%) and top shareholders (19.1%) and significant. For investment perspectives, the findings of this paper indicate that the share of institutional investors in the capital structure of the company is a proper indicator for investors who tend to earn profits in cash.

Tax charges have a significantly negative relationship with DPR. The correlation between taxes and DPR is (-22.2%). One explanation for this result is that more taxes lead to less income available for common stockholders. Thus, the bank has to compensate decreasing income by paying more dividends relative to net income, hence DPR. This result is consistent with Amidu et al. (2006).

Statistical results reveal that there is a significant relationship between total assets growth and DPR. That indicates that, like other firms, bank's dividend policy is necessarily affected by its growth or future development plan. This might be due to the hypothesis that retained earnings are considered as an inexpensive source of finance.

Similarly, the correlation between market valuation (MVBV) and DPR is strong significant and negative (-42.9%). Model specification shows that there is a significant relationship between these two variables, i.e. more DPR indicates less MVBV. This means that the market does value dividend policy of Jordanian banks. This might be used as an indication of transparent and efficient market for listed companies in Jordan.

These results of the study are consistent with Foroughi (2009), who found that institutional ownership is a factor affecting dividend policies, while inconsistent with the findings of the research conducted by Amidu et al. (2006). Corporate governance development and economic conditions governing the banks and capital markets of the two countries (Jordan and Ghana) could account for the differences in the results.

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Table (1)

Descriptive Statistics of Financial Data and Ownership Structure of Jordanian Bank during the Period 2001-2009

Variables	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
Dividend Payout Ratio(DPR)	140	0.0000	123.0484	26.5271	28.6011	0.7426	-0.2982
Institutional All	144	0.0587	1.0000	0.5546	0.2429	0.2309	-0.9648
All Ownership of +5%	144	0.0000	1.0000	0.5942	0.2165	0.0043	-0.6232
Returns on Equity (ROE)	140	-10.1719	39.9201	10.9760	7.2631	0.5510	2.5817
Tax Charges	144	-2,075,411	89,668,000	8,403,033	15,095,617	3.4019	12.7669
Market Value/Book Value	135	-0.4591	5.9909	1.8227	0.9950	1.1414	2.6066
Growth	144	-0.5510	0.8852	0.1341	0.1740	0.7884	4.6285
Valid N (listwise)	134						

Sources: Amman Stock Exchange: Companies' Guide, Various Years, Available on: www.exchange.jo

The first row of the table shows how much Jordanian banks paid dividends out of their net income (DPR), on average, during the period 2001-2009. The second row represents the percentage of institutional shareholdings (CG1=InstitAll), while the third row exhibits the percentage of shareholders owning 5% of the total shares of the bank (CG2=Own5%). The fourth row shows bank's profitability, measured by the returns on equity (ROE). The fifth row indicates tax charges to represent the bank's ability to pay cash dividends. The sixth row shows the market value to book value ratio (MVBV), while the last row indicates the annual growth rate of the bank's total assets, to control for capital gains resulting from not paying dividends.

Table (2)

Ownership Structure of the Jordanian Banks during the Period 2001-2009

Banks Average Ownership Structure %	Individual Ownership	Institutional Ownership	Jordanian Individual	Foreign Individual	Jordanian Institutional	Foreign Institutional	Jordanian Govt	Foreign Govt	Owners of +5%
2001	45.9%	54.1%	13.1%	2.4%	13.2%	19.4%	6.1%	0.6%	54.9%
2002	47.3%	52.7%	15.2%	2.0%	12.3%	19.5%	6.3%	1.4%	56.6%
2003	48.2%	51.8%	14.8%	0.7%	11.1%	22.4%	7.5%	1.3%	57.9%
2004	46.3%	53.7%	14.4%	0.7%	11.3%	23.9%	7.6%	1.3%	59.2%
2005	46.7%	53.3%	14.3%	0.6%	11.3%	21.8%	8.1%	1.8%	56.8%
2006	45.4%	54.6%	12.9%	1.6%	13.5%	22.6%	7.9%	1.7%	60.3%
2007	42.1%	57.9%	10.3%	2.6%	16.5%	24.9%	7.5%	0.0%	61.7%
2008	39.0%	61.0%	10.3%	2.4%	15.9%	25.0%	7.7%	0.0%	61.3%
2009	39.8%	60.2%	10.3%	2.4%	15.9%	25.0%	7.7%	0.0%	59.9%

Sources: Amman Stock Exchange: Companies' Guide, Various Years, Available on: www.exchange.jo

Table (2) shows the ownership structure of Jordanian listed banks, exhibited by types (individual, institutional, or government) and nationality (Jordanian or foreign) of the investors. Each number in the table shows the ratio of the number of shares held by each type and nationality to the total number of the Jordanian Banks shares.

Table (3)

Estimation Results of the Irrelevance of Institutional Ownership Ratio on Dividend Payout Ratio of the Jordanian Banks during the Period (2001-2009)

Dependent Variable: DPR	1	2	3	4	5
Constant	34.16* (5.453)	35.912* (5.728)	37.924* (5.391)	50.127* (7.103)	65.225* (10.199)
Institutional Investors	0.257* (2.319)	0.278* (2.527)	0.275* (2.48)	0.293* (2.931)	0.291* (3.479)
Tax		-0.189** (-1.713)	-0.192** (-1.731)	-0.008 (-0.069)	-0.158** (-1.659)
Growth Rate			-0.071 (-0.641)	0.067 (0.636)	0.231* (2.508)
MVBV				-0.466* (-4.078)	-0.193** (-1.823)
ROE					-0.595* (-5.848)
N	77	77	77	77	77
R2	6.60%	10.10%	10.60%	27.20%	50.60%
F-Value	5.376*	4.223*	2.930*	6.819*	14.777*

(*) 5% level of significance, (**) 10% level of significance and (t-statistics) between parantheses.

Column 1 in the table shows the coefficient on Institutional Ownership Ratio without control variables. In subsequent columns, a new control variable is added. Firstly, a tax charge is added in Column 2, then total assets growth rate in Column 3, market value to book value in Column 4, and return on equity in Column 5.

Table (4)

Estimation Results of the Irrelevance of Top Ownership Ratio on Dividend Payout Ratio of the Jordanian Banks during the Period (2001-2009)

Dependent Variable: DPR	1	2	3	4	5	6
Constant	36.271* (5.111)	39.831* (4.983)	40.890* (5.096)	52.967* (6.639)	68.489* (9.437)	65.351* (9.437)
Top Shareholders	0.191** (1.698)	0.16 (1.369)	<i>0.200**</i> (1.645)	0.217* (1.949)	0.204* (2.175)	0.259* (2.939)
Tax		-0.113 (-0.969)	-0.109 (-0.936)	0.078 (0.668)	-0.075 (-0.730)	
Growth Rate			-0.138 (-1.178)	-0.008 (-0.071)	0.158 (1.597)	
MVBV				-0.458* (-3.893)	-0.186** (-1.680)	-0.203* (-2.091)
ROE					-0.592* (-5.563)	-0.520* (-5.299)
N	77	77	77	77	77	77
R2	3.70%	4.80%	6.60%	22.70%	45.90%	43.60%
F-Value	2.883**	1.91	1.743	5.346*	12.220*	19.050*

(*) 5% level of significance, (**) 10% level of significance and (t-statistics) between parantheses.

Column 1 in the table shows the coefficient on Top Ownership Ratio without control variables. In subsequent columns, a new control variable is added. Firstly, a tax charge is added in Column 2, then total assets growth rate in Column 3, market value to book value in Column 4, and return on equity in Column 5.