

DOES BOARD STRUCTURE DRIVE DIVIDENDS PAYOUT? EVIDENCE FROM THE SULTANATE OF OMAN

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Abstract

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The study investigates whether corporate board characteristics influence dividends policy in Omani listed firms. It also examines whether this relationship is determined by the recent global oil crisis. Using a sample of 109 listed firms in Muscat Securities Exchange between 2009 and 2019, we find that dividends payout is positively associated with board independence, board activity, and board nationality diversity. Though, no evidence is found that board size and gender diversity have an impact on dividends payout. Interestingly, when controlling for the global oil crisis, none of the corporate board attributes influence dividends payout. This study presents new evidence on the influence of board structure on dividends policy. The findings suggest that the impact of corporate board characteristics on dividends policy is contingent on the surrounding institutional environment (i.e., the recent global oil crisis).

Keywords: Board Structure, Dividends Payout, Global Oil Crisis, Agency Conflict, Sultanate of Oman

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1. INTRODUCTION

The board of directors engages mainly in the decision-making and, as such, its characteristics have received considerable attention. The board of

directors is seen as a fundamental part of corporate governance, and a well-structured board can lead to a reduction in agency costs (Bathala & Rao, 1995; Fama & Jensen, 1983). The board of directors' authority is mainly associated with monitoring and

overseeing the behaviour of the organizational management ensuring the alignment of interest of the management and shareholders. This power is based on the agency theory wherein the primary task of a corporate board is to ensure that top managers work in the best interests of shareholders, thus removing their self-serving behaviors (Jensen & Meckling, 1976). The advising function sets out a corporate board's future provision of significant advice, knowledge, and valuable information to executive members on the firm's external environment. This responsibility is based on the resource dependence theory explaining that corporate boards should administer guidance and support to top managers aligned to the external environment of the firm (Pfeffer & Salancik, 1978).

In corporate governance literature, one of the most contentious issues is dividend policy. According to Bathala and Rao (1995), Easterbrook (1984), Faccio, Lang, and Young (2001), Jensen (1986), dividends provide a significant instrument to mitigate the agency cost between managers and shareholders. Al-Najjar and Hussainey (2009) argued that dividends payout lessens the agency cost for two reasons. First, dividends payout reduces cash flow availability which might be abused by the managers for their vested interest at the expense of the investors. Second, it could invite inquiry to the securities market due to higher dividends as firms declare dividends as new common stocks issuance. This study aims to investigate whether corporate board characteristics affect dividends policy in the Sultanate of Oman as it has a unique institutional context compared to other countries in the region. Based on the study of Al-Yahyaee, Pham, and Walter (2011), it was found out that Oman has no tax on dividends, loans from national banks levered companies, high ownership is noticeable in most of the listed firms, and dividends payout are highly variable. In addition, of all the GCC countries, Oman was the first country to publish a corporate governance code in 2002 (revised in 2015). Oman has devoted considerable time and effort to establish a good corporate governance infrastructure. While authorities in Oman have successfully developed a reasonably sound corporate governance framework, there is limited established research providing insights on the association between corporate board characteristics and dividends payout in the Sultanate of Oman. For example, Al Lawati and Hussainey (2021) explores the impact of audit committee financial expertise on dividend policy in Oman, other studies explore the impact of the board of directors' characteristics on the cost of debt (Amrah, Hashim, & Ariff, 2015); return on assets (Al-Matari, Al-Swidi, & Fadzil, 2014); Tobin's Q and firm performance (Yilmaz, 2018).

Furthermore, The Capital Markets Authority (CMA) revised the Code in 2015, which came into effect in 2016, to avoid compliance consequences for companies (CMA, 2015). A key change to the current code relates to the characteristics of boards of directors. The new code is more stringent than the previous code in terms of highlighting the importance of board attributes in supervising management actions (Al Lawati, Hussainey, & Sagitova, 2021). For instance, the new code recommends that the board should be made up of

only non-executive directors who have to be trained in special governance programs to be able to provide greater protections for minority shareholders. This leads to additional focus on the mechanism of external monitoring and stresses the importance of the corporate board in mitigating the agency conflicts between investors and the managers of the firms. As such, this study uses a full set of board characteristics (i.e., board size, board independence, board meetings, board gender diversity, and board nationality diversity) to examine their impact on dividend policy in the Sultanate of Oman.

From the perspective of the institutional theory, previous studies argued that corporate governance should be investigated by considering the institutional settings surrounding the firms (Aguilera, Filatotchev, Gospel, & Jackson, 2008; Aguilera & Crespi-Cladera, 2012; Desender, Aguilera, Crespi, & García-cestona, 2013; Kim & Ozdemir, 2014). This is supported by the findings of Anderson, Reeb, Upadhyay, and Zhao (2011) who stated that board characteristics are determined by the complexity of the environment in which a firm operates. Other studies have examined whether board characteristics are determined by the institutional settings surrounding the firm such as cultural aspects (Carrasco, Francoeur, Labelle, Laffarga, & Ruiz-Barbadillo, 2015; Grosvold & Brammer, 2011), the social, political, and economic structures (Terjesen & Singh, 2008), and legal system (Aguilera et al., 2012; Kim & Ozdemir, 2014). Meanwhile, there has been no research undertaken to understand the effect of current global oil prices on corporate governance practices in both developed and developing economies (Goranova & Ryan, 2014). The Brent price of crude oil fell by 44% in 2014, which shows that the event had been considered as the most dramatic decline in the price of oil in recent history. On the account of the World Bank (2016), the economy of Oman is highly dependent on oil; hence, the decline of the oil prices affects the profitability of the listed firms since they are highly reliant on the projects offered by the government. Thus, the board of directors of the listed firms may opt to retain the profit and not to distribute dividends to the investors during the global oil crisis period. Therefore, the study is the first of its kind to examine the impact of the global oil crisis on the association between corporate board attributes and dividends policy.

Motivated by the ongoing debate, this study focuses on the question, to which extent the corporate board characteristics affect dividends in the Sultanate of Oman, and whether this association is influenced by the global oil crisis. The paper provides contributions to the literature in the context of Oman. First, the study broadens the previous literature on the emerging market, using unique hand-collected data on how the board of directors' characteristics such as board size, board independence, board meetings, board gender diversity, and board nationality diversity can have an impact on dividends policy in Oman. The study also provides an understanding of whether the above relationship is determined by the recent global oil crisis. Third, most of the studies in the emerging market used agency theory to analyze the impact of corporate board attributes on dividends policy. Using a single theory might not

expose the practice. In this paper, we employ several theories; namely agency theory, resource dependence theory, and institutional theory to test our research hypotheses.

The remainder of the paper is organized as follows. Section 2 reviews the literature and develops the hypotheses. Section 3 describes the research methodology. Section 4 illustrates the research results and discussion, and Section 5 presents the conclusion of the study.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Board size and dividend policy

Board size is a key determinant of the effectiveness of boards in carrying out their functions (Jensen, 1983). Nonetheless, there is contradictory research about the role of board size in resolving agency conflicts due to the multiple viewpoints of agency theory. Based on the agency theory, large board size will give rise to the issue of low firm performance, free riding, inefficient decision-making, and inadequate monitoring (Fama, 1980; Ghosh, 2003; Jensen & Meckling, 1976). If the board sizes are larger, CEOs could easily exploit the board member (Jensen, 1993), but the small board will fire the CEO for poor performance and align their pay with performance (Yermack, 1995). With a large sample of US listed companies, Yermack (1996) found a negative relationship between board size and corporate performance. In continuation of the same argument, several studies have shown that large board sizes could contribute to excessive CEO pay (Ben Ali & Teulon, 2014; Core, Holthausen, & Larcker, 1999; Knop & Mertens, 2010; Ozkan, 2011; Sapp, 2008). Therefore, Ozkan (2007) reported that the size of the board negatively affected sensitivity to salary performance. Abdelsalam, El-Masry, and Elsegini (2008) found that board size has no impact on dividends payout using a sample from Egyptian listed firms.

Though the Oman Code does not require any minimum number of directors on the board (CMA, 2015), other countries recommend an average size of the board to be between 6 to 13 directors. The reason for this is that the board should be small enough to enable effective decision-making and large enough to allow directors to contribute experience and knowledge in different fields. In this study, we aim to re-examine the association between dividend payment and board size in Oman. Considering the above argument, the first hypothesis is formulated as follows:

H1: Board size has a negative impact on dividend payout.

2.2. Board independence and dividend policy

The independence of the board of directors is one of its key characteristics. According to the agency's theory, independent directors should hold the majority of board seats because they can effectively monitor agent decisions (Fama & Jensen, 1983). Independent directors on the board contribute to lower agency costs. Their function is in fact to oversee the behavior of executive directors, to avoid possible behaviors that deviate from the social

interest, and to pursue personal enrichment objectives (Zahra & Pearce, 1989). Given their vast experience, expertise, and independence from internal management, independent directors are at the core of the board of directors (Farinha, 2003; Fama, 1980). Considerable attention has been paid to the independence of the board as an instrument for reducing agency spending between management and shareholders (Fama & Jensen, 1983). Past studies have shown that the independence of the board will lead to the success of measures taken by the board as a whole (Anderson & Reeb, 2004). For instance, Elmagrhi et al. (2017) established a negative relationship between profit management and the proportion of independent trustees, this suggests that board independence and corporate governance reform are effective tools to minimize profit management. Hamdan (2018) investigated the moderation role of board independence on the relationship between dividend policy and agency costs using a sample of 237 firms from four Gulf Cooperation Council (GCC) countries: Bahrain, Oman, Saudi Arabia, and the United Arab Emirates for a period of 13 years from 2003 to 2015. The results showed that the inclusion of board independence as a moderator variable positively influenced the relationship between dividend policy and agency cost reduction. Furthermore, Mardani, Moelijadi, Sumiati, and Indrawati (2018) looked at the relationship between ownership structure, corporate governance, and dividend policy and found that independent boards are positively linked to dividend policy.

As per the Oman code of conduct concerning the independence of the board of directors, unlike the earlier code of 2002, which required a majority of the board to be non-executive, the new code issued in 2015 requires all directors to be independent and for at least two of directors to be independent and the proportion of independent members should represent at least 1/3 of all board members. In this paper, we seek to re-examine the association between dividend payment and the independence of the corporate board in Oman. Based on the results of the earlier literature, we hypothesize that:

H2: Board independence has a positive impact on dividend payout.

2.3. Board meetings and dividend policy

Board activity is another key factor of corporate governance that is used to measure a director's level of diligence and commitment to a firm. Through the analytical lens of the agency theory, the actions of the corporate board and its main subcommittees demonstrate the directors' priorities against the interests of shareholders which lead to the reduction of agency costs (Vafeas, 1999).

The relation between the number of board meetings and the efficacy of board control was evaluated by Lipton and Lorsch (1992). They observed that firms with active boards were more active in terms of the number of meetings held, proving that the company was working in the best interests of its stakeholders. Using a sample from Nigerian listed firms, Eluyela et al. (2018) found that firms that have boards meeting more frequently tend to have better performance, indicating that board meeting is an effective monitoring tool.

Boonyanet and Promsen (2020) confirm those of previous studies showing that corporate governance mechanisms including the notification of general shareholder meetings in advance are likely to increase cash dividends. Using a sample from Pakistani listed firms, Riaz, Liu, and Ahmad (2016) found a positive association between board meetings and dividends payout. As per the Code of conduct for corporate governance in Oman, companies must hold at least 4 board meetings per annum. Thus, more active boards will mitigate the agency costs, thereby paying more dividends to the investors. Therefore, the third hypothesis is formulated as follows:

H3: Board meetings have a positive impact on dividend payout.

2.4. Board gender diversity and dividend policy

Gender diversity is calculated according to the percentage of women directors on the board. Gender diversity on boards is an increasingly important topic in the past, present, and even future, and is becoming increasingly relevant. The significance of gender diversity has led many countries to enact gender quota laws for public company boards (Ahern & Dittmar, 2012; Terjesen, Sealy, & Singh, 2009). Based on the resource dependency theory, it is defended by Carter, Simkins, and Simpson (2003) that women directors can enhance the oversight capacity of the board and therefore bring benefits and resources to the company. It is also argued that women directors will likely bring new opportunities to the board that will have a positive impact on firm performance (Mateos de Cabo, Gimeno, & Nieto, 2012). Al-Dhamari, Ku Ismail, and Al-Gamrh (2016) argued that the involvement of women on boards has a positive influence on the yield of dividends and this effect depends on the number of free cash flows created by the firm. To increase company efficiency during a recession, more gender-equitable boards are more likely to make challenging counter-cyclical investments (Sun, Zhu, & Ye, 2015). Companies whose boards are diverse by gender and race are more likely than companies whose boards are not in place to pay higher dividends. In the interest of shareholders, diversity on the board of directors enhances the supervisory role of directors and resolves disputes between shareholders and managers (Byoun, Chang, & Kim, 2016). Different from this view, some other scholars argued that board gender diversity may not bring favorable governance outcomes. For instance, Pucheta-Martinez and Bel-Oms (2016), found that the percentage of independent and executive female directors on the board has no effect on dividends policy using a sample from Spanish listed firms. Other scholars also show a negative association between board gender diversity and dividend payout (Sanan, 2019).

In the context of Oman, there is no code to recommend that the boards of directors of corporations be sufficiently diverse to improve board performance. As a result, based on the above argument, this research assumes that companies with gender-diverse boards are associated with the payment of dividends. As a result, our fourth hypothesis is:

H4: Gender diversity has a positive impact on dividend payout.

2.5. Board nationality diversity and dividend policy

The diversity of nationality of the board is measured by the percentage of foreign directors on the board. From the perspective of resource dependence theory, the presence of an international director serving on the board is considered as one of the valuable benefits and unique resources for the company (Kaczmarek, 2009). It is argued that the internationalisation of the boardroom provides valuable access to diverse knowledge and talent, broader social networks, international support, and listing opportunities (Miller & Del Carmen Triana, 2009). For example, Oxelheim and Randøy (2003) provide evidence that Anglo-American directors of non-US companies contribute positively to the value of the company in the European market. Dividend policies are positively influenced by the international board directors as they are more capable of mitigating agency issues (Eluyela et al., 2019). Supporting this view, Shehata (2021) found that foreign board members lead to higher dividends payment using a sample from Egyptian listed firms. Estelyi and Nisar (2016) found that the higher the nationality diversity of the firm the better the performance of the company, using a sample of FTSE all-shares from 2001 to 2011. In addition to this, Harjoto, Laksmana, and Wen Yang (2019) concluded that the diversity of citizenship of boards of directors is linked to corporate social responsibility. Board nationality diversity is also found to enhance the pay-for-performance sensitivity but not the actual executive pay using a sample from five middle east countries (Egypt, Jordan, Oman, Saudi Arabia, and United Arab of Emirates) over 2009–2014 (Sarhan, Ntim, & Al-Najjar, 2019).

No code, in the context of Oman, recommends that corporate boards be sufficiently diverse to enhance their efficiency. Thus, based on the above argument, this study assumes that companies whose boards have diversified nationally are correlated with the payment of dividends. Based on these arguments, we hypothesize that:

H5: National diversity of the board has a positive impact on dividend payout.

3. RESEARCH METHODOLOGY

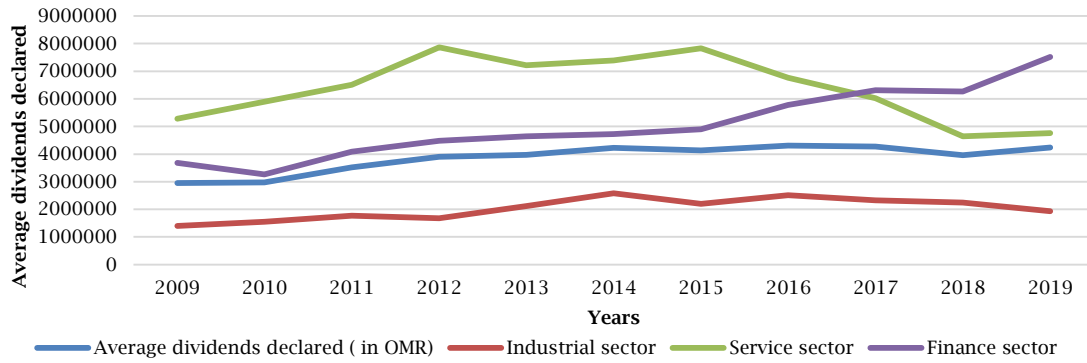
The study population represents all publicly traded companies in the Muscat Security Exchange between 2009 and 2019. After excluding firms with missing data (2 companies), the final net sample resulted in a total of 109 companies (1,049 firm observations). We gathered our data from two main sources: corporate annual reports, and the Muscat Securities Exchange website.

Figure 1 shows the average of the cash dividends reported by the sampled companies from 2009 to 2019. The average cash dividends declared by Omani companies vary between a minimum of 2,946,972 OMR and a maximum of 4,224,417 OMR. The data are also plotted to show changes by industrial, finance, and service sectors (represents 50%, 30%, and 20% of the total sample respectively). While the service and financial sectors paid above-average dividends, the industrial sector paid below average. Figure 1 also illustrates the variability in dividend distribution among publicly traded companies in Oman (Al-Yahyaee et al., 2011). Most

profitable Omani corporations pay dividends to reward investors for holding their securities. A share buyback is rare in Oman; however, some companies supplement their cash dividend distributions with stock dividends. Figure 2 depicts rents on oil as a percentage of GDP. Oil rents represent the difference between the value of crude oil production at world prices and the total cost of

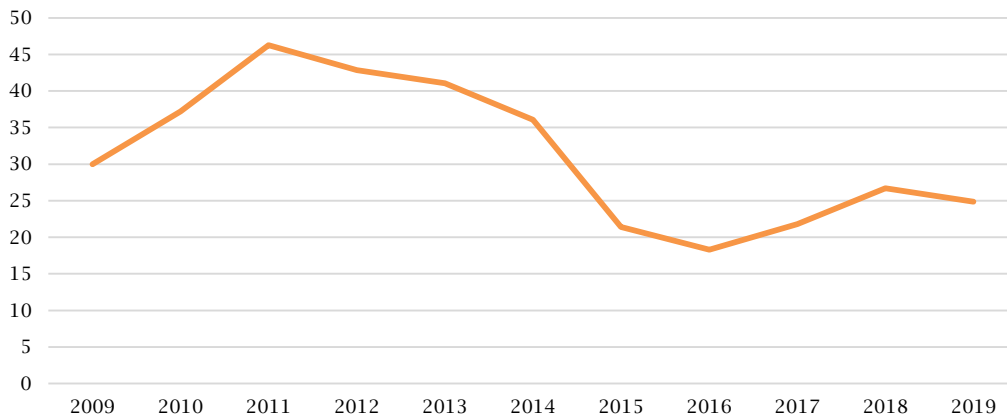
production of the country (World Bank, 2021). Figure 2 shows a downward trend after 2014, when world oil prices dropped dramatically, leading to the oil crisis. We used the oil rents decline in 2014 as a measurement of the start of the crisis period, which resulted in two different timelines; namely the pre-crisis period (2009-2014) and the crisis period (2015-2019).

Figure 1. Trend in average dividends declared in Oman (in OMR)



Source: Authors' elaboration based on the collected data.

Figure 2. Oil rents as of a percentage of GDP in Oman



Source: The World Bank (2021).

The study uses the following OLS regression to examine the impact of the board structure on

dividend payout after controlling for other firm characteristics, as follows:

$$DPS = \alpha_0 + \beta_1 BSize + \beta_2 INED + \beta_3 Meetings + \beta_4 GD\ board + \beta_5 ND\ board + \beta_6 Size + \beta_7 Age + \beta_8 LEV + \beta_9 AS + \beta_{10} Growth + \beta_{11} ROA + \beta_{12} AUDIT + \varepsilon \quad (1)$$

where, *DPS* = dividend per share; *BSize* = board size; *INED* = independent director; *Meetings* = total number of meetings held by the board; *GD board* = board gender diversity; *ND board* = board nationality diversity; *Size* = firm size; *Age* = firm age; *LEV* = leverage; *AS* = asset structure; *Growth* = growth of the firm; *ROA* = return on assets; *AUDIT* = audit type.

Firm size

Following Basiddiq and Hussainey (2012), we use the log of total assets as a proxy for company size. The firm's decision to pay dividends to its owners will likely be affected by its size

(Al-Najjar & Hussainey, 2009). In comparison to companies with limited total assets, companies with large total assets have reached maturity and are known to have strong opportunities in a more stable timeframe and have been able to achieve profits (Mutmainah, 2015). Therefore, according to Ho (2003), large corporations are more able to pay dividends than small corporations.

Firm age

The age of companies is viewed as one of the common determinants of dividend policy. Although some studies have demonstrated a positive relationship between corporate age and

dividend policy (Tamimi & Takhtaei, 2014), others have reported a negative association (Dogan, 2013; Agyei & Marfo-Yiadom, 2011). The latter argue that older companies can take part in expansion projects and that they will need more money for expansion rather than paying dividends.

Leverage

Leverage is often used to describe a company's financial risk (Hahn & Lasfer, 2016). A number of studies have revealed a notable association between leverage and dividend payment policy. For example, most studies have shown that the higher the company's leverage, the smaller the dividend payout (Asad & Yousaf, 2014; Vo & Nguyen, 2014). This indicates that corporations prefer to retain dividends when their debt is high.

Asset structure

The asset structure is computed by dividing the fixed assets by the total assets. The asset structure is seen as one of the main control variables when studying dividend policy phenomena. According to Al-Najjar and Hussainey (2009), firms with larger tangible assets tend to pay lower dividends to their shareholders. This perspective is consistent with that of Aivazian, Booth, and Cleary (2003) who pointed out a negative association between asset structure and dividend policy.

Growth

The company's ability to maintain its current pace of development at a rate that is likely to be greater than that of most companies is known to be a growth (Al-Najjar & Hussainey, 2009). According to Ho (2003), companies with high

potential development are more likely to invest in new projects to expand, resulting in dividend withholding. Chang and Rhee (1990) reached a similar conclusion, arguing that greater expansion opportunities required more liquidity.

Return on assets

The return of assets is considered one of the main indicators of the company's profitability. According to Al-Malkawi (2008), profitability is a determining factor in the amount of dividend paid by a particular company. This is consistent with other studies that have found that the higher the profitability of the firm, the larger the dividend distribution (Pattiruhu & Paais, 2020; Turakpe & Fiiwe, 2017).

Audit type

Van Tendeloo and Vanstraelen (2008) suggest that there is a negative relationship between the quality of the auditor and the earnings management indicator. In their studies, they illustrated that when a company hires a Big 4 specialist audit firm, the magnitude of earnings management is slightly smaller than when a company hires a non-Big 4 specialist audit firm. This suggests that the existence of specialized auditors may provide closer supervision, which in turn increases the profitability and distribution of dividends between shareholders. These results align with those of Boonyanet and Promsen (2020), who reported a positive association between audit quality and cash dividends.

Table 1 illustrates the definitions of dependent, independent, and control variables.

Table 1. Variables definitions

<i>Variables</i>	<i>Variable definition</i>
Dependent variables: Dividend policy	
<i>Dividend per share (DPS)</i>	Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding
Independent variables: Board attributes	
<i>Board size (BSize)</i>	The total number of directors on the board
<i>Board independence (INED)</i>	The proportion of independent directors on the board
<i>No. of meetings (Meetings)</i>	The total number of meetings held by the board during the fiscal year
<i>Board gender diversity (GD board)</i>	The proportion of female directors across the board
<i>Board nationality diversity (ND board)</i>	The percentage of foreign directors across the board
Control variables: Firm characteristics	
<i>Firm size (Size)</i>	Log of total assets
<i>Leverage (LEV)</i>	Total debt divided by total assets
<i>Asset structure (AS)</i>	Fixed asset over total assets
<i>Growth (Growth)</i>	The market value of equity divided by the book value of equity
<i>Return on assets (ROA)</i>	The ratio of net income before extraordinary items plus interest expenses to total assets
<i>Firm age (Age)</i>	The number of years of incorporation of the company
<i>Audit type (AUDIT)</i>	A dummy variable equals 1 for the presence of Big 4 audit firm and zero otherwise

4. RESEARCH RESULTS AND DISCUSSION

4.1. Descriptive analysis

Table 2 provides the descriptive statistics. On average, the table shows that Omani companies pay 0.07 bz with a maximum payout of 1.81 OMR. It shows that the average number of board members is 7, with a maximum of 12. It also shows that the average independence of boards of directors is 0.74, which represents a good level of independence of board members within Omani firms. The average number of board meetings is 7 per year, with no more than 19 meetings per year. *Gender diversity* represents the lowest average of 3% of women on board and up to 43% and diversity of nationalities have a mean of 36%.

As far as the size of the firms is concerned, the mean is 327,770,057 OMR. The average age of the companies is 21.6 years. Most of the companies in our sample have little *leverage* since the average *leverage* is 23% with a minimum of 0%. This suggests that most firms in our sample do not have large obligations to pay to lenders. Therefore, this may influence their decision to pay dividends in cash, as more income will be available to pay the shareholders. Concerning the *asset structure* measured as fixed assets to total assets ratio, maximum, minimum, and average asset structure is 1.03, 0.00, and 0.63, respectively. The sampled firms had an average growth rate of 2.24%, with a maximum growth rate of 27.32%. The result also shows that — on average — firms in our sample have 0.05 return on assets. The results also illustrate that 72% of the listed firms are audited by the Big 4 auditing firms.

Table 2. Descriptive statistics

Variables	No. of observations	Mean	SD	Min	Max
Dependent variables: Dividend policy					
DPS	1,051	0.07	0.19	0.00	1.81
Independent variables: Corporate governance					
BSize	1,051	7	2	3	12
INED	1,051	0.74	0.27	0.00	1.00
Meetings	1,051	7	2	1	19
GD board	1,051	0.03	0.07	0.00	0.43
ND board	1,050	0.36	0.28	0.00	1.00
Control variables					
Size	1,051	327,770,057	1,168,527,730	1,038,250	12,544,529,000
Age	1,051	21.6	9.9	0	46
LEV	1,051	0.23	0.28	0.00	1.53
AS	1,051	0.63	0.26	0.00	1.03
Growth	1,051	2.24	2.96	0.00	27.32
ROA	1,050	0.05	0.09	-0.97	0.98
AUDIT	1,051	0.72	0.45	0	1

4.2. Correlation analysis

Correlation analysis is presented in Table 3. It demonstrates that the variables: *board size*, *board independence*, and the number of *meetings* have a positive (but insignificant) correlation with *DPS*. *Gender diversity* and *nationality diversity on boards* are positively linked with *DPS* and the relationship is meaningful at the 1% level of significance. This demonstrates that the higher the level of diversity, the higher the dividends paid to shareholders. Table 3 shows that the lowest correlation is between *DPS* and *firm size* (0.007). The *age* of the company is negatively associated with the *DPS* at the 1% level of

significance suggesting that the older the company, the more dividends paid to its shareholders. The greatest positive correlation was deduced between *ROA* and *DPS*, significant at the 1% level suggesting that companies with higher *ROA* pay higher dividends to their shareholders. Moreover, the *leverage*, *asset structure*, *growth* have an insignificant negative correlation with *DPS*. The problem of multicollinearity does not exist among our independent variables, as there is no correlation equal to over 70% (Drury, 2008). Therefore, all variables will be included as part of the regression analysis.

Table 3. Correlation analysis

	DPS	BSize	INED	Meetings	GD board	ND board	Size	Age	LEV	AS	Growth	ROA	AUDIT
DPS	1												
BSize	0.011	1											
INED	0.042	0.060	1										
Meetings	0.044	0.056	0.054	1									
GD board	0.081**	0.116**	-0.055	-0.004	1								
ND board	0.096**	-0.163**	-0.103**	-0.259**	0.113**	1							
Size	0.007	0.448**	-0.079*	0.275**	0.058	-0.031	1						
Age	-0.082**	0.009	-0.051	0.127**	-0.005	-0.096**	0.050	1					
LEV	-0.048	0.255**	-0.025	0.117**	0.049	0.178**	0.576**	-0.127**	1				
AS	-0.014	0.121**	-0.099**	-0.027	-0.008	0.255**	0.224**	-0.171**	0.379**	1			
Growth	-0.003	0.096**	0.008	0.042	0.142**	-0.087**	0.170**	-0.088**	-0.010	-0.123**	1		
ROA	0.141**	0.067*	0.006	-0.024	0.042	0.017	0.075*	-0.095**	-0.129**	-0.029	0.285**	1	
AUDIT	0.043	0.233**	0.067*	0.130**	0.073*	-0.100**	0.513**	-0.120**	0.243**	0.124**	0.137**	0.108**	1

Notes: ** denotes correlation is significant at 1% level (2-tailed). * denotes correlation is significant at 5% level (2-tailed).

4.3. Empirical results and discussion

Table 4 presents the empirical findings of the study. It demonstrates that the coefficient of determination (R^2) between *DPS* and the independent variables is 0.1218 (12.18%). It can be noted that 12.18% of the variance in dividend policy can be forecasted using independent variables. Significantly, the model specification (F-value of 3.77 and the associated p-value of 0.0000) shows a considerable relationship between dividend policy and the independent variables, indicating that the explanatory variables can be reliable to use in determining dividend policy in Oman.

4.3.1. Dividends and board size

Table 4 shows a non-significant positive association between *dividend payments* and *board size* ($t = 0.36$, p -value = 0.718). As a result, $H1$ is rejected.

The findings are consistent with a study conducted by Abdelsalam et al. (2008) which concluded that the association between *board size* and *dividend policy* is positive, but not significant.

4.3.2. Dividends and board independence

Table 4 shows a significant and positive relationship between dividends paid by listed companies and the independence of the board at 5% ($t = 2.47$, p -value = 0.014). The results showed that the inclusion of the *board independence* as an independent variable had a positive impact on *dividend payment* and therefore $H2$ is accepted. The results of the study agreed with the previous research stipulating that *board independence* is positively related to *dividends payout* (Mardani et al., 2018; Hamdan, 2018). Moreover, the findings of the study are aligned with the agency theory and stress that *board independence* is one of

the important factors in the Omani corporate governance system protecting the shareholders' interest.

4.3.3. Dividends and number of meetings

Table 4 also reveals the positive and significant relationship between the frequency of *meetings* held by the corporate board and *dividend payout* with $t = 2.51$ and $p\text{-value} = 0.012$. Based on the agency theory, the results show that companies with active boards in terms of the frequency of meetings held were more active and demonstrates that a firm was operated in line with the best interest of the stakeholders (Lipton & Lorsch, 1992). The findings are consistent with the previous literature (Riaz et al., 2016; Boonyanet & Promsen, 2020) indicating the frequency of board meetings shows the influence on the dividend policy of Omani listed firms. In addition, the results may also indicate that, for the corporate board to approve dividends payment in any particular year, it should have a higher *number of meetings* so that all directors reach a consensus in this regard. Based on the above, *H3* is accepted.

4.3.4. Dividends and board gender diversity

Table 4 also shows an insignificant positive relationship between *gender diversity* and *the payment of dividends* of Omani listed firms ($t = 1.51$, $p\text{-value} = 0.133$). The outcome does not support the theoretical explanation of resource dependence, and therefore *H4* is rejected. The results are also consistent with those of Pucheta-Martínez and Bel-Oms (2016), which found that the percentage of independent and executive female directors does not influence dividend distribution policy. Other research also shows a negative association between *gender diversity* on the board of directors and dividend payment policy (Sanan, 2019). In addition, this result can be explained by the fact that the corporate governance code in the Sultanate of Oman does not include diversity as one of the aspects in the code.

4.3.5. Dividends and board nationality diversity

Table 4 also shows that *dividend payments* and *board nationality diversity* ($t = 3.09$, $p\text{-value} = 0.002$) are positively significant, demonstrating that the internationalization of the boardroom in Omani listed firms results in beneficial access to diversified expertise and skills, broader social networks leading to investor protection. The results support the theory of resource dependence and are consistent with other studies that have shown that foreign directors on boards have a positive impact on dividend policies (Eluyela et al., 2019; Shehata, 2021). Therefore, *H5* is accepted.

4.3.6. Dividends and control variables

Table 4 also illustrates the analysis of control variables within the model. The results show a positive and insignificant association between *firm size* and dividends payout policy. Corporate *age* has significant negative relationship with dividend policy ($t = -2.64$ and $p\text{-value} = 0.008$). This means that older companies carry out diversification and expansion activities and therefore tend to pay lower dividends (Dogan, 2013; Agyei & Marfo-Yiadom, 2011). Corporate characteristics such as *leverage* and *asset structure* have a negative and insignificant relation to dividends. The results also show that *firm growth* is negatively associated with dividend payment at 5% significance level ($t = -2.85$ and $p\text{-value} = 0.005$). This is consistent with previous literature that argues that companies with a higher *growth* rate increase their business activity and thus withhold payment of dividends (Al-Malkawi, 2008). On the other hand, the profitability of companies has a positive and significant association with dividends payout at 1% ($t = 3.59$ and $p\text{-value} = 0.000$). In line with previous studies (Turakpe & Fiiwe, 2017; Al-Malkawi, 2008), this finding implies that highly profitable Omani firms pay higher dividends than less profitable firms. Table 4 also demonstrates that there is a nonsignificant positive association between Oman's dividend policy and the type of audit. The results suggest that the presence of Big 4 audit firms does not affect the payment of dividends in the Sultanate of Oman.

Table 4. Empirical results (all observations)

<i>Independent variables</i>	<i>Coefficients</i>	<i>T-statistics</i>	<i>p-value</i>
<i>BSize</i>	0.0016	0.36	0.718
<i>INED</i>	0.0460	2.47	0.014**
<i>Meetings</i>	0.0077	2.51	0.012**
<i>GD board</i>	0.1299	1.51	0.133
<i>ND board</i>	0.0819	3.09	0.002**
<i>Size</i>	0.0133	1.60	0.111
<i>Age</i>	-0.0017	-2.64	0.008**
<i>Leverage</i>	-0.0289	-1.20	0.231
<i>Asset structure</i>	-0.0392	-1.44	0.151
<i>Growth</i>	-0.0063	-2.85	0.005**
<i>ROA</i>	0.2128	3.59	0.000***
<i>Audit type</i>	0.0164	1.22	0.224
R ² = 0.1218			
Observations = 1,049			
F-test = 3.77			
Significance = 0.0000			

Notes: *, **, *** indicate significance at the 10%, 5%, and 1% levels respectively. *BSize* = board size, *INED* = The proportion of independent directors on the board, *Meetings* = the total number of meetings held by the board, *GD board* = the proportion of female directors across the board, *ND board* = the percentage of foreign directors across the board, *Size* = firm size, *Age* = firm age, *Leverage* = total debt divided by total assets, *Asset structure* = fixed asset over a total asset, *Growth* = the market value of equity divided by book value of equity, *ROA* = return on assets, *Audit type* = a dummy variable equals 1 for the presence of Big 4 audit firm and zero otherwise. The regressions also include industry and years dummies (coefficient not shown).

4.4. Additional analysis

We are also broadening our analysis to examine if the association between corporate board characteristics and dividends payout is determined

$$DPS = \alpha_0 + \beta_1 BSize + \beta_2 INED + \beta_3 Meetings + \beta_4 GD\ board + \beta_5 ND\ board + \beta_6 Oil\ crisis + \beta_7 Oil\ crisis * BSize + \beta_8 Oil\ crisis * INED + \beta_9 Oil\ crisis * Meetings + \beta_{10} Oil\ crisis * GD\ board + \beta_{11} Oil\ crisis * ND\ board + Control\ variables + \varepsilon \quad (2)$$

Table 5 presents the results of the regression of the study after factoring in the effect of the oil crisis. Overall, the recent global oil crisis has affected the relationship between corporate board attributes and dividend payment policy. *Oil crisis*BSize* has a negative association which is insignificant ($t = -0.97$, p -value = 0.330). The results show that the estimation of the coefficient on the *Oil crisis*INED* variable is positive and non-significant ($t = -0.63$, p -value = 0.527). Table 5 also illustrates that the other corporate board variables (*Oil crisis*Meetings*, *Oil crisis*GD board*, and *Oil crisis*ND board*) have insignificant relationships with the dividend payment policy. The findings reveal the significance of the recent oil crisis as a key indicator in the study of the corporate governance phenomena which is aligned with the institutional theory and mainly manifested in the economy of countries that are highly dependent on oil. The study supports the conclusions of other studies that institutional environments influence corporate governance practices, including cultural values, the legal system,

and ownership structure (Aguilera et al., 2012; Kim & Ozdemir, 2014; Duong, Kang, & Salter, 2016).

by the recent global oil crisis. Thus, we apply the model below which uses the interaction variable between the independent variables and the dummy variable of the oil crisis (equals one if the period is between 2014 and 2019, and zero otherwise).

To sum up the above empirical results, three main variables were found to be associated with dividends policy in Sultanate of Oman, namely; *board independence*, *the activity of the board*, and *nationality diversity*. On the other hand, *board size* and *board gender diversity* were found not to impact dividends policy. Consistent with the view of previous studies that corporate governance practices are contingent on the external environment surrounding firms (Aguilera et al., 2012; Kim & Ozdemir, 2014; Duong et al., 2016), the results show that board characteristics do not drive dividends payment during the global oil price crisis. This is consistent with Van Essen, Engelen, and Carney (2013) who found that good governance practices during the recent financial crisis — including board independence, the separation of chair and CEO positions, and incentive-based compensation packages — were noticed to be destructive to the company performance during the recent financial crisis occurred in 2008.

Table 5. Empirical results (oil crisis effect)

Independent variables	Coefficients	T-statistics	p-value
<i>BSize</i>	0.0050	1.29	0.197
<i>INED</i>	0.0565	2.10	0.036**
<i>Meetings</i>	0.0077	2.08	0.038**
<i>GD board</i>	0.1247	1.05	0.296
<i>ND board</i>	0.1209	3.01	0.003***
<i>Oil crisis</i>	0.1005	1.24	0.214
<i>Oil crisis*BSize</i>	-0.0071	-0.97	0.330
<i>Oil crisis*INED</i>	-0.0221	-0.63	0.527
<i>Oil crisis*Meetings</i>	0.0004	0.07	0.947
<i>Oil crisis*GD board</i>	0.0205	0.11	0.910
<i>Oil crisis*ND board</i>	-0.0794	-1.58	0.115
<i>Size</i>	0.0140	1.64	0.101
<i>Age</i>	-0.0017	-2.74	0.006***
<i>Leverage</i>	-0.0314	-1.30	0.194
<i>Asset structure</i>	-0.0406	-1.48	0.140
<i>Growth</i>	-0.0061	-2.78	0.006***
<i>ROA</i>	0.2208	3.63	0.000***
<i>Audit type</i>	0.0184	1.29	0.198
R ² = 0.1255			
Observation = 1,049			
F-test = 3.16			
Significance = 0.0000			

Notes: *, **, *** indicate significance at the 10%, 5%, and 1% levels respectively. *BSize* = board size, *INED* = the proportion of independent directors on the board, *Meetings* = the total number of meetings held by the board, *GD board* = the proportion of female directors across the board, *ND board* = the percentage of foreign directors across the board, *Oil crisis* = dummy equal to one if the period is between 2014 and 2019, and zero otherwise, *Oil crisis*BSize* = interaction effect of oil crisis with board size, *Oil crisis*INED* = interaction effect of oil crisis with proportion of independent directors, *Oil crisis*Meetings* = interaction effect of oil crisis with number of meetings, *Oil crisis*GD board* = interaction effect of oil crisis with gender diversity, *Oil crisis*ND board* = interaction effect of oil crisis with national diversity, *Size* = firm size, *Age* = firm age, *Leverage* = total debt divided by total assets, *Asset structure* = fixed asset over a total asset, *Growth* = the market value of equity divided by book value of equity, *ROA* = return on assets, *Audit type* = a dummy variable equals 1 for the presence of Big 4 audit firm and zero otherwise. The regressions also include industry and years dummies (coefficient not shown).

5. CONCLUSION

Based on a sample of 109 Omani listed firms from 2009 and 2019, the OLS regressions model was used to examine whether board characteristics can determine dividends payout in Omani firms after considering other firms' characteristics (firm size, firm age, leverage, asset structure, growth, profitability, and audit type). Furthermore, the study highlights if the recent global oil crisis can affect this relationship. Based on previous literature, we found that board independence, the activity of the board, and the nationality diversity of the board are positively associated with dividends paid in Omani listed firms. However, board size and gender diversity do not affect dividend payout. Our conclusions also show that when we control for the recent global oil crisis, the attributes of boards of directors do not influence the payment of dividends. Our research contributes to the increasing literature by providing important evidence that the board structure is an important driver of dividend policy in Oman. Additionally, the research has a significant effect on the institutional settings which reveals that the global oil crisis is a valuable determinant of the relationship between board governance structure and dividends policy. The results of the study show that regulating body in Oman needs to give more attention to the corporate board characteristics and their influence on investor protection rights. The findings have potential aftermath for regulators (and business leaders) as they illustrate the advantage of good board governance in improving

dividend payments in the Sultanate of Oman. The study also calls the regulators to amend corporate governance codes regularly cognizant of the changing times that include corporate board characteristics such as board diversity as it brings diverse views and monitoring ability to the corporate board (Carter et al., 2003; Mateos de Cabo et al., 2012).

There may be some possible limitations in our study. Due to the lack of available data, the study covered some board characteristics. In addition, there is a disparity in the disclosure of complete details about the committees of the board of directors which has led to the non-inclusion of the characteristics of the committees in the analysis. Consequently, this study offers several other avenues for future research. Future research could consider other attributes of the corporate board including board busyness, CEO duality, board education diversity, and board age diversity to understand the effect of these attributes on dividends policy in the Sultanate of Oman. Additionally, future research could explore the impact of board committees (i.e., audit, compensation, and nomination) attributes on dividends policy (Pahi & Yadav, 2019). Researchers can also broaden the scope by considering the international context in the investigation whether the other institutional settings such as the variation of the legal system (Aguilera et al., 2012; Kim & Ozdemir, 2014) and the cultural values (Duong et al., 2016) can influence the relationship of board governance attributes and dividends policy.

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