Determinants of Dividend Payout in Awash International Bank (AIB) Share Company

Minyahil Abera, Muna Sultan and Tofik Nasir, St. Mary's University

Abstract

The main purpose of the study is to examine the determinants of dividend payout in AIB. In order to achieve this objective, the study uses both descriptive and explanatory research design. Twenty years' time series data (1994/1995 to 2014/15) were collected from audited financial statement which was the whole population. The study used dividend payout as a dependent variable and five independent variables: profitability, liquidity, leverage, growth and size. The findings indicated that among the five independent variables; profitability and leverage have statistically significant impact on dividend payout; the remaining three variables have no statistically significant impact on dividend payout. Thus, profitability and leverage have a significant impact on dividend payout in AIB. Therefore, board of directors of banks need to consider these variables while designing their dividend payout policy. By the same token, investors need to consider these variables in their investment decisions when they want to make an investment in AIB.

Key words: Dividend payout, profitability, investers, leverage, liquidity,

I. Introduction

This chapter deals with the background of the project, rationale for conducting the project, and the corresponding objectives, significance of the project, scope and limitations of the project and research methodology. It also deals with how it is organized and presented.

1.1. Background of the Study

Dividend policy is one of the major decisions in corporate finance. Dividend is an appropriation or distribution of profit to shareholders. Corporate dividend policy has been the concern of financial managers, and firms at large. Firms are faced with dilemma of sharing dividend to stockholders and retaining their earnings, with the view to reinvesting it into the business so as to promote further growth of the business. As the business grows, then, earning flow of the stockholders grows over time. The decision of the firm regarding how much earnings could be paid out as dividend and how much could be retained is the concern of dividend policy decision (Marfo-Yiadom and Agyei, 2011).

Researchers have asserted that firms use dividends as mechanism for financial signaling to the outsiders regarding the stability and growth prospects of the firm. Paying out more cash dividends will tend to increase the price of the stock. However, increasing cash dividends means that less money is available for reinvestment. Reinvesting fewer earnings into the business will lower the expected growth rate. Alternatively, earnings retained are the most important internal sources of financing the growth of the firm. In practice every firm follows some kind of dividend policy, which retains a portion of the net earning in such a manner that it will not constitute a threat to dividend payment (Chigazie, 2010).

The dividend policy of a firm is a significant aspect of corporate financial management, for it has potential implications for share prices (and hence returns to investors), the financing of internal growth (through retentions), the size of the equity base within the firm (again through retentions), and hence it's gearing (leverage) ratio (M. Omran and J. Pointon, 2004).

The topic of dividend policy is one of the most enduring issues in modern corporate finance (Al-Malkawi, 2007). This has led to the emergence of a number of competing theoretical

explanations for dividend policy. No consensus has emerged about the rival theoretical approaches to dividend policy despite several decades of research.

A range of firm and market characteristics have been proposed as potentially important in determining dividend policy. The attempt to test these competing models and refine them has resulted in a vast empirical literature. The empirical work on dividend policy has, however, generally been focused on companies operating in countries where there is developed stock markets (Al-Malkawi, 2007).

The examination of dividend policy of companies operating in an environment with no stock markets, until recently has been limited. Yet the sorts of firm and market characteristics that may influence dividend policy may in fact be more likely to be present in these companies in more exaggerated fashion than in others. This has provided a central motivation for the present study. This study seeks to add to that literature by providing a detailed analysis of dividend practice of private banks, share companies, operating in Ethiopia, where there is no stock market.

1.2. Background of the Organization

AIB S.C. was established after the dawn fall of the Dergue regime and the introduction of the market economic policy in 1991.

Initially, it was established by 486 founder shareholders with a paid-up capital of Birr 24.2 million. It was licensed on November 10, 1994, and started banking operations on February 13, 1995. The Bank was named after the popular river "Awash" which is the most utilized rivers in the country especially for irrigation and hydroelectric power development.

The number of shareholders and paid up capital have been increasing continuously and significantly and currently stand at over paid-up 3436 and its capital currently stood at Birr 1.5 billion. However, the 13th Extraordinary Annual General Meeting of the shareholders of AIB endorsed the increase of paid-up capital to Birr 3 billon and subscribed capital to 6 billion within the coming three years.

AIBS.C. is also the first private bank to build its own head quarter at the hub of what is growing in to be the Ethiopia financial district. The twin buildings named "Awash Towers" built in collaboration with its sister company Awash Insurance Company S.C. was inaugurated in 2010.

AIBS.C. has 119 branches throughout the country. AIBS.C. provides full-fledged banking services in all its branches. The major services of the Bank, among others, are: mobilization of deposits, provision of credit services, International banking services, money transfer services and safe deposit services (www.awashbank.com, company profile).

1.3. Problem Statement

The dividend payment decision is regarded as one of the most important decisions to be taken from a strategic point of view. Dividend payments affect the level of equity retained in a firm. If the payments are not replaced by issuing new equity securities, the decision also influences the financial structure of the company. The payment of dividend, therefore, has implications for both investment decisions and financing decisions that are taken. The more cash that a company pays out in the form of dividends, the less fund it has available to finance future attractive investment opportunities and the greater the probability that it will have to issue new shares to raise more capital. The very reason for the existence of dividend payment is still debatable across researchers in the world of academia. In the world of

perfect markets, dividend policy of firms is irrelevant (Miller and Modigliani, 1961). On the other hand, Gordon (2004) and Lintner (1956) believe stockholders prefer current dividends, and that this causes a positive relationship between dividends and market value of firms. But, in countries like Ethiopia, where there is no capital market, in which investors can sell their share and convert into cash, the importance of dividend payments by share companies is unquestionable. It is the only and most important means through which investors can realize returns from their investments made with no or at a lower cost. Having the above points in mind, the researchers have tried to assess the dividend practice and determinant factors of dividend payments of AIB S. C. Thus, due to AIB S. C. being the pioneer private bank after the fall of the Dergue regime, studying the determinant factors of dividend payout of AIB S. C. is used as a mirror for the determinant factors of dividend payout of other private banks and companies in Ethiopia.

1.4. Hypothesis and Development

The following hypotheses are to be tested given the absence of stock market in Ethiopia.

Hypothesis1. The amount of dividend of AIB S.C.is positively associated with the amount of its profit.

The decision to pay dividend starts from the profit of the business. Therefore, it is logical to consider profitability as a threshold factor, and the level of profitability as one of the most important factors that may influence firms' dividend decisions. In his study, Lintner (1956) found that a firm's net earnings are the critical determinant of dividend changes. As written by Al-Malkawi (2007), the Pecking Order Hypothesis may provide an explanation for the relationship between profitability and dividends. That is, taking into account the costs of issuing debt and equity financing, less profitable firms will not find it optimal to pay dividends, *ceteris paribus*. On the other hand, highly profitable firms are more able to pay dividends and to generate internal funds (retained earnings) to finance investments. Fama and French (2001) interpreted their results of the positive relationship between profitability and dividends as consistent with the pecking order hypothesis.

Hypothesis 2: The amount of dividend payout of AIB S.C. is positively related with its liquidity. Under normal circumstances, the amount of dividend is expected to tend to increase as the liquidity of the firm increases. Other things being equal, the amount of dividend of banks is expected to increase as the liquidity (measured by the excess of liquid assets over legal reserve requirement) increases, and the reverse is also expected to be true. Amidu and Abor (2006) found a positive relationship between liquidity and profitability explaining that firms earning stable cash flow (high liquidity) are in a position to pay higher dividends as compared to firms facing unstable earning. Chikashi (2011) also found positive relationship between liquidity and dividend payout policy suggesting that due to shortage of cash, poor liquidity results in less generous dividend payout policies.

Hypothesis 3: The amount of dividend of AIB S.C. is negatively related to the amount of debt.

It is logical to assume that as the risk associated with high degrees of financial leverage increases the amount of dividend to be paid out will decrease because firms need to maintain their internal cash flow to pay their obligations rather than distributing the cash to the shareholders. The risk associated with high degrees of financial leverage may therefore result in low dividend payments because firms need to maintain their internal cash flow to

pay their obligations rather than distributing the cash to shareholders. Moreover, Rozeff (1982) points out that firm with high financial leverage tend to have low payouts ratios to reduce the transaction costs associated with external financing.

Therefore, other things being equal, an inverse relationship between financial leverage ratio, defined as the ratio of total short-term and long-term debt to total shareholders' equity (DER), and dividend is expected (Al-Malkawi, 2007).

Hypothesis 4: In short run growth has a negative and significant impact on dividend policy of AIB S. C.

Businesses in expansion or growth have high cash needs, which may lead them to pay out a low fraction of earnings to shareholders as dividends. Alternatively, we could argue that the relation between investment and dividends is in fact positive. Survey evidence suggests that firms are highly reluctant to cut dividends and increase dividends only when sustainably higher earnings are expected (Lintner (1956). This conservatism suggests that only firms with a variety of good investment projects pay high dividends today because the cash flows earned from future projects support high dividends in the future (Chay and Jungwonsuh, 2005). The higher the growth opportunities, the more the need for funds to finance expansion, and the more likely the firm is to retain earnings than pay them as dividends (Chang and Rhee, 2003).

In addition, this negative relationship is in line with Myers and Majluf (1984) findings.They suggested that firms with high growth opportunities will have low payout ratios. This negative relationship is supported by the agency theory of dividend policy (Chang and Rhee 2001). The idea was implicitly considered by Miller and Modigliani (1961). They stated it as the investment policy of the firm is set ahead of time and is not altered by changes in dividend policy.

Hypotheses 5: Firm size has a positive relationship with dividend payout in AIB.

Size of a firm has been one of the most commonly used factors in previous studies. Various researchers have argued that the size of the company is one of the factors that have the largest influence on the dividend payout ratio (Holder, Langrehr, and Hexter, 1998).

1.5. Objective of the Paper

This study laid its ground on the dividend practice of AIBS.C and has tried to address and fulfill the following general and specific objectives after undergoing a detailed investigation.

1.5.1. General Objective

The broad objective of this project was to thoroughly assess the dividend payment practice of AIB S. C. and its determinant factor.

1.5.2. Specific Objectives

Specifically, the purpose of this project is to achieve the following ends:

- To assess the interrelationship between some selected determinant factors and amount of dividend
- To clearly identify the determinant factors of dividend payments of AIB S. C. given the absence of stock market in the country.
- To examine the impact of profit on the dividend payout in AIB S. C.
- To determine the impact of liquidity on the dividend payout in AIB S. C.

- To investigate the impact of leverage on the dividend payout in AIB S. C.
- To explore the impact of firm size on the dividend payout in AIB S. C.
- To identify the impact of growth on the dividend payout in AIB S. C.

1.6. Significance of the Paper

The emergency of a number of share companies in different sectors with huge amount of capital raised from institutional and individual investment is the recent phenomenon of businesses in Ethiopia (Dagnachew, 2009**).** Investors require returns from these investments. However, the only way of getting returns for investor was dividend. This is due to the absence of secondary market in the country. Hence, this research has significance from various directions such as: help to acquire latest information by empirically testing the factors that determine the dividend payout in AIBS.C; investors prefer a firm which pays higher dividend than the other (Lintner, 1956; Al-Shubiri, 2011). Therefore, this study helps investors to be aware of the possible factors that determine dividend payout of AIBS.C. This information would help them in their investment decisions; supplies evidence whether factors identified by previous studies are the same as the ones found to be determinants of dividend payout of private bank in Ethiopia; current investors could also benefit from this study to look at the factors that determine dividend payout and to predict the pattern of dividend payment expected from their banks and to manage their investments; finally managers of AIBS.C.as well as other private bank companies will use the result of the study to review their dividend payout decision in line with the findings of the study and the study enables the researchers to meet one of the necessary conditions of being awarded a degree of Bachelor of Arts in Accounting and Finance.

2. Research Methodology

2.1. Research Design

The primary aim of this study is to examine the determinants factors of dividend payout in AIB S. C. To achieve the objective, explanatory and descriptive type of research design with a quantitative approach method is employed. The explanatory type of research design helps to identify and evaluate the causal relationships between the different variables under consideration (Creswell, 2008) and descriptive research used to describe the selected variables. Thus, in this study the explanatory and descriptive research design is employed to examine the relationship of the dependent and independent variables and to describe the variables.

2.2. Data Collection and Sampling Technique

Financial statement data were collected on dividend payout, return on asset, liquidity, leverage, size, and revenue growth from published audited annual reports of AIB S. C. included in the sample in order to examine the factors that affect the dividend payout of AIB S. C.

To make inference about the population a large sample size is important and to make that this study have used 20 years data out of 20 years of dividend payout of AIB S. C., which is was the whole population collected from year 1994/95 up to 2014/15.

2.3. Data Analysis and Model Specification

Financial statement data were collected from National Bank of Ethiopia and published audited annual reports of the banks. Descriptive statistics like mean, median, standard deviation, maximum and minimum used to describe the selected variables; this study also

includes correlation analysis, specifically Pearson correlation to measure the degree of association between the variables under considerations. Time series data regression method is used to examine the relationship between dependent and independent variables in order to draw conclusion based on the collected data about the determinants of dividend payout in AIB S. C.

The study has one dividend model to test. All independent variables are included in the model to examine the determinant of dividend payout in AIB S. C. The model was adopted from previously done researches (Elias, 2015 and Dagnaw, 2009).

The research model is;

$$DVPO = f(PROF, LIQ, SIZ, GRO, LEV)$$

Where, DVPO=Dividend payout, PROF=Profitability, LIQ=Liquidity, GRO=Growth and LEV=Leverage and Profitability, Liquidity, Growth and Leverage are independent variables and Dividend policy is the dependent variable.

The dividend policy, the dependent variable, is defined as the dividend divided by net income after tax. The explanatory variables include profitability (PROF), liquidity (LIQ), growth (GRO), size (SZ) and leverage (LEV).These variables are defined in Table 1 together with the expected signs.

Table 1: Definition of Variables and Expected Signs

Variables		**Definition**	**Expected sign**
Dependent	DPO	Dividend Policy =Dividend/net profit	
Independent	PROF	Profitability = Return on Assets (Net Income to Total Asset Ratio)/ total asset	Positive
	LIQ	Liquidity= Current asset/current liability	Positive
	GRO	Growth = (Current Revenue -Previous Revenue) / Previous Revenue	Negative
	SIZ	Firm's size= Natural logarithm of total asset	Positive
	LEV	Leverage = Debt/Total asset	Negative
	ε	The error term	

2.3.1 Model Assumptions

The assumptions on classical linear regression model were tested to determine whether the collected data would fit the assumptions in order to use Ordinary Least Squares (OLS) technique. Consequently, the following five basic CLRM assumptions were tested in this study.

2.3.1.1. Errors Have Zero Mean

According to Brooks (2008), if a constant term is included in the regression equation, this assumption will never be violated.

2.3.1.2. Homoscedasticity

Many statistical methods that can be applied to determine whether the model is free from the problem of heteroscedasticity or not such as: White Test, Test Park and Glejser. SPSS test introduces one of heteroscedasticity test that can be applied in SPSS is Glejser. In this test, if the p-value is greater than 0.1 then there is no problem of heteroscedasticity and if the p-value is less than 0.1 then there is problem of heteroscedasticity. As noted in Brooks (2008),

this test is the most popular because it makes few assumptions about the likely form of the heteroscedasticity. Gujarati (2004) indicates that heteroscedasticity is a systematic pattern in the errors where the variances of the errors are not constant. Similarly, Brooks (2008) noted that if the errors do not have a constant variance, they are said to be heteroscedasticity.

2.3.1.3. Autocorrelation

The third assumption is the autocorrelation assumption that the covariance between the error terms over time is zero; it is assumed that the errors are uncorrelated with one another. If the errors are correlated with one another, it would be stated that they are serially correlated. Usually, Durbin-Watson (DW) value in the main regression table is considered and used to test the presence of autocorrelation.

According to Brooks (2008), DW has 2 critical values: an upper critical value (dU) and a lower critical value (dL), and there is also an intermediate region where the null hypothesis of no autocorrelation can neither be rejected nor not rejected.

Table 2: Rejection and Non-Rejection Regions for DW Test

Reject H_0 positive Autocorrelation	Inconclusive	Do not reject H_0: NO evidence of Autocorrelation	Inconclusive	Reject H_0 negative Autocorrelation
0	dL	Du2	4-Du	4-Dl 4

The rejection, non-rejection, and inconclusive regions are shown on the number line in table 2. So, the null hypothesis is rejected and the existence of positive autocorrelation presumed if DW is less than the lower critical value; the null hypothesis is rejected and the existence of negative autocorrelation presumed if DW is greater than 4 minus the lower critical value; the null hypothesis is not rejected and no significant residual autocorrelation is presumed if DW is between the upper and 4 minus the upper limits; the null hypothesis is neither rejected nor not rejected if DW is between the lower and the upper limits, and between 4 minus the upper and 4 minus the lower limits (see Table 2).

2.3.1.4. Multicollinearity

It means that there is a linear relationship between explanatory variables, which may cause the regression model to be, biased (Gujarati, 2004). When there is a strong correlation between explanatory variables it becomes difficult to identify the impact of individual independent variables. Thus, in order to examine the possible degree of multicollinearity among the explanatory variables, Pearson correlation matrix is used. Usually the multicollinearity exists if the correlation between two independent variables is more than 0.75 (Malhotra, 2007).

2.3.1.5. Normality

It is important that the residuals from the regression models should follow the normal distribution. Normality assumption of the regression model was tested by **Shapiro-Wilk test** and **Kolmogorov-Smirnov test**. For data set smaller than 2000 elements, the study uses the **Shapiro-Wilk test**; otherwise, the **Kolmogorov-Smirnov test** is used. In this cases there are only 20 data therefore the Shpiro-Wilk test was used. If the p- value is greater than 0.05, the hypothesis of the normal distribution fails to be rejected (Brooks, 2008).

2.4. Variables Construction

Based on previous researches on the determinants of dividend payout/policy, the following variables have been chosen in this study to be tested empirically, weather they have an impact on dividend payout of AIB S. C. or not. According to Creswell (2008), the variables need to be specified in quantitative researches so that it is clear to the readers what groups are receiving the experimental treatment and what outcomes are being measured.

2.4.1. Dependent Variable

2.4.1.1. Dividend Payout

Payout ratio is calculated by dividing the total dividend to net profit (Ross, Westerfield, and Jaffe, 2002). Most of the previous studies employed dividend payout ratios as a determinant of dividend in lieu of dividend per share and dividend yield (Amiduand Abor, 2006; Weber and Procianoy, 2014; Maladjianand El Khoury, 2014). The dividend payout ratio is also used in this research, rather than dividend per share and dividend yield, for two reasons:

Firstly, the dividend payout ratio takes into consideration both dividend payout and dividend retention.

Secondly, dividend per share and dividend yield was considered unsuitable, because neither takes into account the dividend paid in relation to the income level (Gustav and Gairatjon, 2012). Plus to use dividend yield, it requires market price of a share in computing dividend yield, which we do not have in our country due to absence of secondary market.

2.4.2. Independent Variables

2.4.2.1 Profitability

The decision to pay dividend starts with profit. Therefore, it is logical to consider profitability as a threshold factor, and the level of profitability as one of the most important factors that may influence firms' dividend decisions. Profitability can be defined as the ability of the firm to create profit (Badu, 2013). The profit size of a firm has been a determinant of dividend policy standing for years. Taher (2012) stated that published earnings/profits have long been identified as the primary factor of the firm's capacity to pay dividends. Profit is the single most important factor in a company's financial statement and it has been widely used in previous studies in order to determine the relationship with the company's dividend payout ratio (Gustav and Gairatjon, 2012).

Lintner (1956) conducted a study in American companies in the middle of 1950 and found profit is a factor managers used on deciding dividend payment. Several studies confirmed profitability is one of the major factors that affect dividend payment. (Amiduand Abor, 2006; Nuredin, 2012; Ahmed andJavid, 2008; Maladjianand El Khoury, 2014 and Zhang and Fu, 2014) have found profit as a signifcant variable that affects dividend payment. Profitable firms are most likely to pay dividend compared to non-profitable firms (Ahmed and Javid, 2008). Firms that earn high profits are more likely to pay high dividend (AmiduandAbor, 2006). Therefore, Profit is also expected to have a positive relationship with dividend payout in this study. But the calculation of return on asset is done based on profit after tax and legal reserve divided by total assets. Because banks are required to set aside some portion of their profit, currently it is 25%, as a legal reserve, which cannot be distributed to shareholders by National Bank of Ethiopia. So, including it in calculating return on asset would be illogical.

2.4.2.2. Liquidity

Liquidity is usually measured by the firm's cash flow; the cash flow position of a firm is an important determinant of dividend payout. Liquidity is determined based on firm's current asset divided by current liability. According to the agency theory of cash flow, Jensen (1986) argued that firms with high cash flow pay higher dividends in order to diminish the agency conflict between their managers and shareholders. Otherwise, managers may pursue their own personal agenda and maximize their personal wealth instead of maximizing the wealth of its shareholders.

AmiduandAbor (2006) found a positive relationship between liquidity and profitability explaining that firms earning stable cash flow (high liquidity) are in a position to pay higher dividends as compared to firms facing unstable earning. Chikashi (2011) also found positive relationship between liquidity and dividend payout policy suggesting that due to shortage of cash, poor liquidity results in less generous dividend payout policies. However, other studies found negative relationships with dividend payout (Taher, 2012; Maladjianand El Khoury, 2014) while others like Trang (2012); Al-Najjar and BinSaddig (2013) have found no significant relation with dividend payout. These researches indicated that the relationship between liquidity and dividend is mixed.

La Porta *et al.* (2000) argued that when a firm has free cash flow, its managers will engage in wasteful practices, even when the protection for investors improves. A number of studies have suggested that firms with a greater "cash flow" need to pay more dividends to reduce the agency costs of the free cash flow (La Porta et al., 2000). Based on agency theory, Badu (2013) claimed that it can be speculated that there is a positive relationship between the cash flow and the dividend payout ratio and he found on his empirical study a positive and significant relationship. Therefore, liquidity is expected to have a positive relationship with dividend payout in this study.

2.4.2.3. Leverage

The term leverage is used to show firms capital structure, mix of debt and equity financing. A firm relies on debt financing in order to minimize agency problem, to tap the tax advantages (interests deduction on income), as a result the use of debt financing can lever-up shareholders‟ return on equity (Al-Malkawi, 2008). However, leverage entails risk; that is, when a firm acquires debt financing it commits itself to fixed financial charges embodied in interest payments and the principal amount, and failure to meet these obligations may lead the firm into liquidation.

The risk associated with high degrees of financial leverage may therefore result in low dividend payments because firms need to maintain their internal cash flow to pay their obligations rather than distributing the cash to shareholders (Al-Malkawi, 2008), plus an increase in debt in financial industry like bank increases the requirement of reserves by National Bank of Ethiopia (NBE,2014).

Jensen (1986) argued that debt can serve as a substitute device for dividends in reducing the agency costs of free cash flow. That is, when a firm obtains debt, it makes a fixed commitment to creditors, which reduces the discretionary funds available to managers and subjects them to the scrutiny of debt-suppliers. This suggests that, highly leverage firms are expected to have low dividend payouts. Several empirical studies showed that leverage has a negative effect weather it is significant or not (Al-Malkawi, 2008; Al-Shubiri, 2011; and Al-

Najjar and BinSaddig, 2013) but few other studies showed a positive relationship. This study expects a negative relationship between leverage and dividend payout.

2.4.2.4 .Growth

Recent experiences have shown that growing firms tend to pay lower dividends. There will be a high demand of capital if a firm is fast growing. The *pecking order* theory states that firms should finance new projects first with least information-sensitive sources. Also, firms with high growth opportunities are likely to retain a greater portion of their earnings to finance their expansion projects as against returning these dividends to shareholders (Badu, 2013). Some firms have fewer growth opportunities but tend to pay higher dividends to prevent managers from over-investing the cash available to the firm. In such circumstances, the dividend policy of the firm plays the role of an incentive for the firm to move its resources and hence decrease its agency costs that may arise from the availability of free cash flow funds (Jensen, 1986).

The higher the growth opportunities, the more the need for funds to finance expansion, and the more likely the firm is to retain earnings than pay them as dividends (Chang and Rhee, 2003). Several previous empirical studies have found mixed results about the relationship of growth with dividend payment. For instance, a negative relationship between growth and dividend payout has observed in the work of (Ho, 2003; Al-Malkawi, 2008; Nuredin, 2012 and Maladjianand El Khoury, 2014), while a positive relationship has been observed in the work of (Yahya and Hadi, 2013). In this study a negative relationship between growth and dividend payout is expected.

2.4.2.5. Firm Size

Size of a firm has been one of the most commonly used factors in previous studies. Various researchers have argued that the size of the company is one of the factors that have the largest influence on the dividend payout ratio (Holder, Langrehr, and Hexter, 1998).

Information asymmetry between managers and owners/shareholders in large firms are more sensitive than small firms due to lack of close supervision. To control this problem dividend payout is widely used as a motivating factor for managers to show shareholders that their organization is in the right track.

According to Fama and French (2001) larger firms expend a greater portion of their net profits as cash dividends compared to smaller firms. Larger firms have greater advantage over small firms in accessing capital from public and financial institutions. The cost of acquiring capital is smaller due to firm size. Holder, Langrehr, andHexter (1998) said large firms have greater access to financial markets, making it easier for them to reduce their costs, become more profitable and pay higher dividends. Therefore, firm size is directly related to dividend payout. Several studies have showed size is directly related with dividend payout (Al-Malkawi, 2008; Kinfe, 2011; Al-Shubiri, 2011). Therefore, this study also expects a positive relationship between firm size and dividend payout.

2.5. Scope and Limitation of the Study

The finding of the research would be more fruitful if it was conducted widely by including other private banks, non-depository institutions and other share companies in Ethiopia. The study was limited to examine possible factors that could influence the dividend decision for AIB S. C. Cover the period1994/95-2014/15. In addition the dividend payout decision is influenced by external factors like absence of secondary market and financial system of a

country. This study did not consider the possible effect of absence of secondary market and financial system on dividend policy. Also the study only empirically examines firm specific factors (profitability, size, growth, liquidity, risk and leverage). Finally the results of this study are not generalized to other private banks.

3. Results and Discussions

This chapter deals with the results and analysis of the findings. Section 3.1 deals with descriptive statistics of the variables, Section 3.2 presents the result of the fulfillment of the classical linear regression model (CLRM) assumptions, section 3.3 presents the regression results and discusses the findings.

3.1. Descriptive Statistics

Table 3 provides a summary of the descriptive statistics of the dependent and independent variables for AIB S. C. from year 1995 to 2014/15 with a total of 20 observations. The table includes the mean, median, standard deviation, number of observations, minimum and maximum for the independent and dependent variables used in this research. It shows the average indicators of variables computed from the financial statements.

Table 3: Descriptive Statistics

	Dividend payout	Profitability	Liquidity	Leverage	Growth	Size
Mean	53.5378	2.0054	57.3890	89.7832	37.4150	21.7355
Median	51.6712	1.9217	57.8985	89.6183	28.1824	21.7042
Std. Deviation	26.26446	.79013	10.45155	1.61399	43.63820	1.44082
Minimum	.00	.67	36.27	87.37	-4.67	19.27
Maximum	121.83	3.25	75.70	92.65	197.97	23.95
Observation	20	20	20	20	19	20
Missing	0	0	0	0	1	0

Source: SPSS output

Table 3 shows a mean value of 53.54% for dividend payout indicating that AIB S. C. has paid 53.54% of their income as dividend with 26.26% variability ups and downs for the period from year 1995 to 2014/15. As stated in chapter three, this study used profit after tax and legal reserve to calculate dividend payout. On average, AIB S. C. distributes 54% of their profit to their shareholders.

Profit measured by return on asset shows the AIB S. C. productivity to generate income using the available asset. The figure shows that AIB S. C. has generated on average 2.01% profit for a one birr investment on asset, the maximum and minimum profitable of AIB S. C.s' is 3.25% and 1.06% profit respectively for each birr investment. The variability is below one percent.

AIB S. C. has on average 57.39% liquidity position measured by current asset divided by current liability. This means that for a one birr current liability there is an available 57.39 cents on average on current assets, a maximum liquidity position of 75.70% and minimum of 36.27% with a high dispersion of 10.45% ups and downs. Had it been the companies are in other industries like manufacturing, the figure shows that there is a possibility to be insolvent due to lack of enough current assets available to settle current liabilities. It is believed a company is solvent if it has a minimum of one to one proportion between current

asset and current liability, where for every one birr current liability there is a minimum of one birr in current asset (Brealey and Myers, 2003). But the nature of the banking industry is highly dependent on deposit, which is a debt, to finance their operation, where they receive deposit from the public, mainly has a nature of short term, and extend loan to borrowers both for short and long period of time. Receiving short term deposit and providing long term loan, create a gap on banks liquidity management but evaluating the above figure based on National bank of Ethiopia liquidity requirement of a minimum of 15% shows AIB has maintained a liquidity position of 3 times above the minimum requirement and it can be said they are solvent.

AIB has on average 89.78% debt in their asset composition mainly from deposit with 1.614% variability ups and downs. A maximum debt ratio of 92.65% and which has an equity contribution of 7.35%. This condition shows banking industry is highly levered due to their main source of fund is from deposit, which is a liability.

The growth rate shows that on average AIB S. C. revenue has increased in the last twenty years from 1995 to 2014/15 by 37.42% with a variability of 43.64% ups and downs. Growth variable has a highest dispersion among other variables. The maximum and minimum growth of AIB S. C. is 197.97% and -4.67. This result indicates that AIB S. C. is in a rapid growth stage at least in terms of revenue.

The variable size measure of AIB S. C. is total assets. The anti- natural logarithm of figure on table 3 shows AIB S. C. has an asset on average of Birr 2,751,741,993.

Table 4: Correlation Matrix of Dependent and Independent Variables

	Dividend payout	Profitability	Liquidity	Leverage	Growth	Size
Dividend payout	1					
Profitability	-.229	**1**				
Liquidity	.079	.021	**1**			
Leverage	-.348	-.618**	-.124	**1**		
Growth	-.507*	.128	-.217	.212	**1**	
Size	.152	.748**	.308	-.709**	-.273	**1**

Source: SPSS out put

Table 4 shows the degree of correlation or association between the dependent, dividend payout, and the five independent variables.

Among the variables growth has a strong negative relationship with dividend payout with a coefficient value of 0.507. Meaning that when the revenue growth of a bank increases by one birr dividend will decrease by 50.7 cents, because growing firms tend to pay lower dividends. There will be a high demand of capital if a firm is fast growing. Profit and leverage have also a negative relationship with dividend payout with coefficient value of 0.229 and 0.348 respectively. Meaning an increase in profit, liquidity and leverage will lead to a decrease in dividend payout. Liquidity and size have a positive relationship with dividend payout with a coefficient value of 0.079 and 0.152 respectively. Among the independent variables, growth has the strongest negative association with dividend payout.

Liquidity and size has the positive relationship with dividend payout and the rest of the independent variables have a negative relationship with dividend payout.

3.2. Tests for the Classical Linear Regression Model (CLRM) Assumptions

In this study as mentioned in chapter three, diagnostic tests were carried out to ensure that the data fits the basic assumptions of classical linear regression model. Consequently, the results for the model assumption tests are presented as follows:

3.2.1. Assumption one: The Errors Have Zero Mean ($\epsilon = 0$)

According to Brooks (2008), if a constant term is included in the regression equation, this assumption will never be violated. Thus, since the regression model used in this study included a constant term, this assumption is not violated.

3.2.2. Assumption Two: Test for Homoscedasticity

The assumption of homoscedasticity is that the residuals are approximately equal for all predicted dependent variable scores- the variance of the errors is constant. If the assumption is met the pattern of the residuals will have about the same spread on either side of a horizontal line drawn through the average residual (Wooldridge, 2006). Otherwise, if the errors do not have a constant variance, it is said that the assumption of homoscedasticity has been violated. This violation is termed as heteroscedasticity. In this study, Glejser test was used to test for existence of heteroscedasticity across the range of explanatory variables. Based on the output of table 5 coefficients obtained value of significances (P) of profitability was 0.14, value of significances (P) of liquidity was 0.147, value of significances (P) of leverage was 0.262, and value of significances (P) of growth 0.151and value of significances (P) of size was 0.169 respectively. We observed that each P values of all explanatory variable was greater than 0.1.This shows that the absence of heteroscedasticity.

Table 5: Heteroscedasticity Test: Glejser

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	200.616	126.583		1.585	.137
	Profitability	-7.089	3.102	-.582	-2.285	.140
	Liquidity	.304	.139	.330	2.189	.147
	Leverage	-1.381	1.177	-.232	-1.173	.262
	Growth	-.056	.037	-.253	-1.525	.151
	Size	-2.959	2.030	-.414	-1.457	.169

Dependent Variable: AbsUt

3.2.3. Assumption Three: Tests of Autocorrelation

This is an assumption that the errors are linearly independent of one another (uncorrelated with one another). If the errors are correlated with one another, it would be stated that they are auto correlated. The DW test statistic value from the regression result is 2.512. There are 20 yearly observations in the regression and 6(six) repressors including the intercept. According to DW statistics table, the relevant critical values for the test at 10% significance level were dL = 0.79, dU = 1.99. The DW statistics result of 2.512 is above the 4-du but below 4-dl. Therefore, it falls in the inconclusive region and the null hypothesis is neither rejected nor not rejected.

Table 6: DW test statistic

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.731[a]	.534	.355	19.01209	2.512

Source: SPSS Out put

3.2.4. Assumption Four: Test for Multicollinearity

This assumption of multicollinearity is that explanatory variables are not correlated with one another. But, if the variables are correlated with one another, it will be the violation of the CLRM assumption of multicollinearity. To test the independence of the explanatory variables or to detect any multicollinearity problem in the regression model the study used a correlation matrix of independent variables. The problem of multicollinearity usually arises when certain explanatory variables are highly correlated. Malhotra (2007) stated that multicollinearity problems exists when the correlation coefficient among variables are greater than 0.75. Table 7 of correlation matrix has shown that the correlations among the independent variables are well below 0.75.Therefore, the risk of multicollinearity will not affect our regression analysis.

Table 7: Correlation Matrix between Independent Variables

	Profitability	Liquidity	Leverage	Growth	Size
Profitability	**1**				
Liquidity	.021	**1**			
Leverage	-.618	-.124	**1**		
Growth	.128	-.217	.212	**1**	
Size	.748	.308	-.709	-.273	**1**

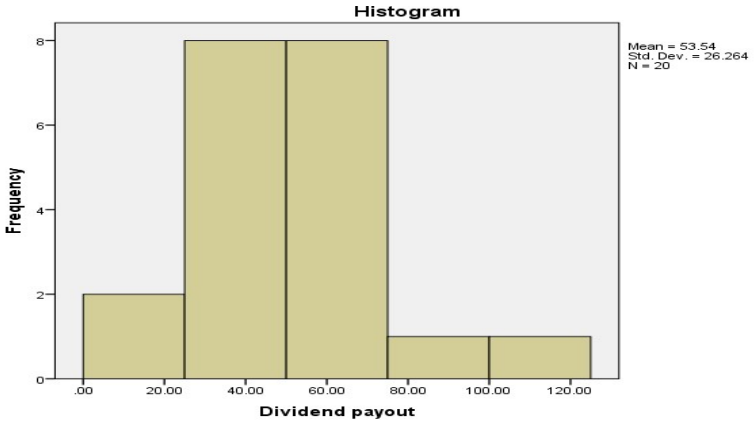
Source: SPSS output

3.2.5. Assumption Five: Test for Normality

According to Brooks (2008), if the residuals are normally distributed, the histogram should be bell-shaped. In our case, since we have only 20 elements, the Shapiro-Wilk test is used. From table 8, the p-value is 0.514 which is greater than 0.1.Therefore; we can reject the alternative hypothesis and conclude that the data comes from a normal distribution.

Table 8: Normality Test

Tests of Normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Dividend payout	.150	20	.200*	.960	20	.541



Source: SPSS output

3.3. Regression Results and Discussions

The results so far indicated that all CLRM assumptions are not violated, so the ordinary least square regression can be safely applied.

3.3.1. Determinants of Dividend Payout

The purpose of Model is to investigate the determinants of dividend payout in AIB S. C. Twenty years data were collected from audited financial statements from year 1994/95 to 2014/15 from AIB S. C. Dividend payout was used as a dependent variable and five independent variables: profit, liquidity, leverage, growth and size.

$DVPO = \alpha + \beta 1\ PROF + \beta 2\ LIQ + \beta 3\ LEV + \beta 2 GROW + \beta 5\ SIZ + \epsilon$

Table 9: Regression Result

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Standardized Coefficients	Beta		
(Constant)	784.281	434.197		1.806	.094
Profitability	-23.127	10.641	-.777	-2.173	.049
Liquidity	-.261	.476	-.116	-.547	.593
Leverage	-8.582	4.037	-.590	-2.126	.053
Growth	-.124	.126	-.229	-.985	.343
Size	5.026	6.965	.288	.722	.483

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.731[a]	.534	.355	19.01209	2.512

Source: SPSS output

Therefore: DVPO =784.281-23.127PROF-0.124 GROW+5.026SIZ -8.582LEVE-0.261LIQ +ϵ

Table 9 above shows regression result between the dependent variable (dividend payout) and the explanatory variables. The R-square value measures how well the regression model explains the actual variations in the dependent variable (Brooks, 2008). The adjusted R^2value in table 9 above indicates that 35.5% of the total variability of dividend payout of AIB S. C. is captured by the variables in the regression model. Meaning that the five independent variables; Profit, liquidity, leverage, growth and size explain 35.5% of the change in dividend payout in AIB S. C. for the study period from year 1994/1995 to 2014/15.

The preceding sections present the result of the study. Thus, this section discusses in detail the analysis of the results for each explanatory variable and their importance in determining dividend payout. Hence, the following discussions present the relationship between explanatory variables and dividend payout.

3.3.1.1. Profitability

The result of profitability measured by return on asset as shown in table 4.6 is negative and statistically significant. Profitability is a significant factor that determines dividend payout AIB S. C. for the study period from year 1994/95 to 2014/15. Therefore, hypothesis 1 is not rejected. Hypothesis 1 states that profitability measured by return on asset has a positive relationship with dividend payout. The finding is in contrary to the theory of signaling. The theory of signaling claims, in order to signal that the company is doing well, profitable firms should pay dividend. Empirical studies also support a positive and significant relationship between profitability and dividend payout.

This finding of negativity of the relation is similar to the finding of Elias (2015), Zaman, (2013), Kinfe, (2011), Gustav andGairatjon, (2012), Komrattanapanya and Suntrauk (2013) and Badu (2013) but there relation is statistically insignificant. For instance, Kinfe (2011) conducted a study on Ethiopian banks to identify factors that affects dividend payout. He found insignificant relationship between profitability and dividend payout. The possible reason for the significant negative relationship could be AIB S. C. is in growth stage and banks require capital to keep the growth momentum. One of the best and cheapest alternatives to finance the growth is to use the profit earned from operation because it is the cheapest way of financing growth in terms of cost of capital instead of distributing as a dividend to shareholders. This may suggests that AIB S. C. may pay dividend not necessarily considering the level of profit but will pay only when the managers think is appropriate to do so.

3.3.1.2. Liquidity

Table 4.6 shows liquidity has a negative and statistically insignificant relationship with dividend payout. This implies that the increase or decrease in liquidity has not statistical significant effect on dividend payout in AIB for the study period. Therefore, hypothesis 2 is also rejected, stating that liquidity has a positive relationship with dividend payout.

The finding is in contrary to the Jensen's (1986) agency theory that stated companies with higher free cash flow have higher dividend payout ratios. Based on this theory, a company that has higher liquid assets is more exposed to agency problem than a company with lower liquid assets. Because shareholders don't trust managers; they, therefore, think that the managers may be engaged in excessive spending if they have excess free cash flow at their disposal. Many empirical studies showed a positive relationship between liquidity and dividend payout. But also a number of studies have showed a negative and/or insignificant relationship between liquidity and dividend payout (Elias, 2015; Dagnaw, 2009; Imran, 2011; Kinfe, 2011; and Khoury, 2014).

The possible reason for insignificant and negative relationship between liquidity and dividend payout could be banks by their nature requires to maintain high liquidity in order to avoid insolvency problem due to large sum of their assets is made up from deposit and this deposit could be withdrawn at any time, to avoid this problem banks should always make sure that they have enough liquidity to entertain huge amount of withdrawals from deposit due to different reasons. And also as stated by Kinfe (2011) The possible reason for this unusual negative association of dividend payout ratio and liquidity may be efficiency problem of Ethiopian banking sector due to holding excess amount of un used current assets which eventually lead to decrease in profit as well as dividend payout.

3.3.1.3. Leverage

As shown in table 4.6, leverage has a negative and significant relationship with dividend payout. The increase or decrease in leverage ratio has statistical significant effect on dividend payout in AIB for the study period. Therefore, hypothesis 3 is not rejected. It states that leverage has a negative relationship with dividend payout.

The finding supports pecking order theory. Pecking order theory states that external financing is more costly compared to internal financing. The transaction costs for companies with high leverage are therefore higher and instead of paying dividends to shareholders, highly levered companies choose to maintain their internal funds within the company (Al-Kuwari 2009). This is explained by the high transaction costs and highly leveraged companies; therefore, they have to rely on retained earnings in order to meet their obligations due to the expensive external financing. Since they keep a larger proportion of their earnings within the company, the dividend payout ratio decreases.

The negative relationship between leverage and dividend payout ratio can also be connected to the agency cost of debt. Since the objective of a company is to maximize the wealth of the shareholders, the management may undertake actions that favor shareholders to the expense of the bondholders (Schroeck, 2002). Most bondholders are aware of this behavior and they usually undertake certain actions in order to prevent the transfer of wealth from bondholders to shareholders. One of the most common actions taken by bondholders in order to prevent the transfer of wealth is to place restrictive covenants in the bond contract (Schroeck, 2002). The covenants may state that the company is not allowed to pay a higher dividend payout ratio than the maximum level stated in the contract. As a company's leverage increases, the risk connected to the company increases and the bondholders may place more severe convents regarding the dividend payout ratio. Consequently, the dividend payout ratio decreases as a company's leverage increases.

Empirical evidences show a mixed result about the relationship between leverage and dividend payout. Elias, (2015); Kinfe, (2011) and Maladjianand El Khoury, (2014) conducted their study in banking industry have found negative and insignificant relationship

unlike the current study between leverage and dividend payout. The possible reason for this could be the nature of banking industry, where most of their asset comprises deposit, which is a debt.

3.3.1.4. Growth

The result of the growth variable as shown in table 4.6 indicates that it has a negative and statistically insignificant effect on dividend payout .Thus, hypothesis 4 is not rejected. It is predicted that firms with high growth or investment opportunities tend to retain their income to finance their investments, thus paying less or no dividends.

Recent experiences have shown that a company observing growth in revenues tend to pay lower dividends. There will be a high demand of capital if a firm is fast growing. The pecking order theory states that firms should finance new projects first with least information-sensitive sources. Besides, firms with high growth opportunities are likely to retain a greater portion of their earnings to finance their expansion projects as against returning these dividends to shareholders (Badu, 2013).

AIB is in the growth stage and it needs money for expansion and the revenue that they generate from operation is one of the means to finance their growth. Therefore, it re-invests the money instead of paying higher dividends. This logic proofs that growth has a negative relationship with dividend payout in AIB.

The higher the growth opportunities, the more the need for funds to finance expansion, and the more likely the firm is to retain earnings than pay them as dividends (Chang and Rhee, 2003). Several previous empirical studies have found similar results about the relationship of growth with dividend payment. For instance, a negative relationship between growth and dividend payout has observed in the works of Elias (2015); Ho, (2003); Al-Malkawi (2008); Nuredin (2012) and Khoury, 2014.

3.3.1.5. Size

Size is measured by natural logarithm of total asset. Table 4.6 shows that size has a positive and statistically insignificant relationship with dividend payout. Therefore, hypothesis 5 is not rejected. When size of the banks increase by 1%, dividend, payout will increase by 5.0261 Birr. The result is in the same with the agency theory which states large firms face high agency costs as a result of ownership dispersion, increased complexity, and the inability of shareholders to monitor firm activity closely. Hence, such firms pay a larger dividend to reduce agency costs.

Most empirical studies have showed a positive relationship between size and dividend payout, but others like Ahmed and Javid (2008) and Nuredin (2012) have found a negative relationship between size and dividend payout. Possible reason for positive relationship could be large sized firms invest their profits in their assets rather than paying dividends to its shareholder.

3.4. Summary of the Analysis

Table 10: Comparison of the Test Result with the Expectation

No.	Independent variables	Expected relation with DVPO	Actual Result	Significance	Statues
Hypothesis 1	Profitability	+	-	Significance	Not rejected
Hypothesis 2	Liquidity	+	-	Insignificance	Rejected
Hypothesis 3	Leverage	-	-	Significance	Not rejected
Hypothesis 4	Growth	-	-	Insignificance	Not rejected
Hypothesis 5	Size	+	+	Insignificance	Not rejected

4. Conclusions and Recommendations of the Study

Chapter four is the final chapter which provides summary of the research, conclusion based on the findings of the research and provides recommendations.

4.1. Summary

i. This paper has examined the determinant of dividend payout in AIB. The paper has tried to analyze the dividend payment trend of the AIB under study for the period from 1994/95 to 2014/15and Multiple Linear Regression Models used to see the degree of association between some selected determinants factors that affects dividend payout of AIB. Time series data was extracted and used to see the extent of association

ii. It is examined that AIB in average pay 54% of its net income which was more than 50% of its net income and with high dispersion of 26.3% up and downs.

iii. AIB has generated on average 2.01% profit for a one birr investment on asset. The variability is below one percent.

iv. AIB has on average 57.39% liquidity position measured by current asset divided by current liability, with a high dispersion of 10.45% ups and downs.

v. AIB has on average 89.78% debt in their asset composition mainly from deposit with 1.614% variability ups and downs.

vi. The growth rate shows that on average AIB revenue has increased in the last twenty years from 1995 to 2014/15 by 37.42% with a variability of 43.64% ups and downs. Growth variable has a highest dispersion among other variables.

vii. Size of AIB's on average Birr 2,751,741.993 with variability of Birr 4.224 up and downs.

viii. The result showed profitability and leverage has significant impact on dividend payout of AIB.

ix. Liquidity, growth and size have insignificant impact on dividend payout in AIB.

4.2. Conclusions

Studying the factors that determines dividend payout has a significant importance in the business world where there are a lot of public companies that acquire capital from the public and distribute dividends from the profit they make. The main purpose of the study was to examine the determinants of dividend payout in AIB. In order to meet the purpose a twenty years' financial statement data were used from audited financial statements of the banks and

National Bank of Ethiopia reports from year 1994/1995 to 2014/15 AIB. The collected data was analyzed using time series regression method for model.

Time series regression method was used for model in order to examine the relationship between the five explanatory factors (which are profit, liquidity, leverage, growth and size) and dividend payout.

The result of the regression analysis showed that profit is a significant and negative factor that determines dividend payout in AIB. Although this result is against the signaling theory, the significant relationship to profit against Modigliani and Miller's (1961) assumptions that the value of the firm is independent to the dividend policy and profit has an impact on dividend payout.

Liquidity is also found to be insignificant and negative, which is against the theory of agency. Theory of agency states companies that have high free cash flow have high dividend payout ratio to prevent managers from engaging in excessive spending if they have excess free cash flow at their disposal. Contrary to agency theory and due to banks' own inefficiency problem, they may hold excess liquidity at their disposal which could be used to generate earnings and as a result profit could decrease when liquidity increases.

Leverage is also found to have significant and negative relationship with dividend
Payout in AIB. The variable growth has shown insignificant and negative relationship with dividend payout. This finding supports the pecking order theory which says that the companies should use first internal sources to fund different projects and to keep the company growth. Therefore, firms with high growth or investment opportunities tend to retain their income to finance their investments, thus paying less or no dividends. AIB is in growth stage and require further investments to fund the growth and the best alternative for financing this with low cost of capital is to use the profit the banks are generating than distributing it as a dividend. This implies that growth and dividend payout has an inverse relationship.
Size is found to have insignificant but a positive impact on dividend payout that support the theory of agency, which describes that large firms face high agency costs as a result of ownership dispersion, increased complexity, and the inability of shareholders to monitor the firm activity closely. Hence, such firms pay a larger dividend to reduce agency costs.

4.3. Recommendations

Since dividend policies have been described as a puzzle, it was necessary to conduct a study regarding the determinants of dividend payout in AIB. Investors or shareholders, who are trying to predict future dividends, will, therefore, gain some useful information regarding which company selected factors to look for when predicting future dividends. Managers may also use the study when determining the dividend payout ratios since they will be given useful information regarding which factors they may consider when determining the dividend payouts.

The following recommendations are forwarded based on the findings of the research:

i. Dividend payout of AIB is not constant hence investors who want constant dividend should not invest on AIB; to attract such investors AIB better follow constant dividend payout policy.

ii. To make an informed decision on investment options, investors need to look into the AIB performance in the following factors; profitability and growth of the

bank factors before making an investment decisions. Because these factors have a significant impact on dividend payout in AIB.

iii. Board of directors of AIB's need to consider profit and growth to set future dividend payout .They also need to consider the profitability and growth of AIB which affects the fund available to distribute to shareholders due to growing bank consume larger portion of their profit to finance the growth. So, board of directors also needs to consider these variables while deciding their dividend payout policies.

iv. The current relative conducive environment for investment as a result of the establishment of many share companies is an option for investors besides the financial sector. Absence of stock market (secondary market),where investors can easily sell or buy shares of companies, related high costs to investors to sell shares in order to generate money. It may require high dividend by investors since it is the only option to be benefited from their investment in short period of time. Therefore, AIB should work to retain and attract investors by paying high dividend than other banks and industries. Otherwise, there could be a possibility for shift of capital to these new corporations that pays high dividend.

References

Ahmed, H and Javid, A. Y. (2008). The determinants of dividend policy in Pakistan. Middle-East Journal of Scientific Research 18 .

Al-Ajmi, J, and Abu Hussein, H. (2011). Corporate dividends decisions: evidence from Saudi Arabia. The Journal of Risk Finance.

Al-kuwari, D. (2009). Determinants of the Dividend Policy in Emerging Stock Exchanges: The Case of GCC Countries. Global Economy and Finance Journal.

Al- Najjar, B. (2009). Dividend Behavior and Smoothing New Evidence from Jordanian Panel Data. University of the West of England.

Al-Malkawi, H.-A.N. (2008). Factors Influencing Corporate Dividend Decision: Evidence from Jordanian Panel Data. International Journal of Business, 2008.

Al-Shubiri, D. F. (2011). Determinants of Changes Dividend Behavior Policy: Evidence from the Amman Stock Exchange. Far East Journal of Psychology and Business.

Amidu, M., andAbor, J. (2006). Determinants of dividend payout ratios in Ghana. The Journal of Risk Finance.

Badu, E. A. (2013). Determinants of Dividend Payout Policy of listed Financial Institutions in Ghana. Research Journal of Finance and Accounting.

Bhattacharya, S. (1979)."The Bird in the Hand" Fallacy. The Bell Journal of Economics.

Brealey, R., andMyers, S. (2003). Principles of corporate finance. New York: McGraw Hill.

Brooks, C. (2008). Introductory Econometrics for Finance (2 ed.). UK: Cambridge University Press.

Chang, R. P., and Rhee, G. S. (2003).The Impact of Personal Taxes on Corporate Dividend Policy and Capital Structure Decisions. Financial Management.

Chikashi, T. (2011). A Test of Dividend Policy: The Case of the Japanese Machinery Industry Firms. International Journal of Economics and Finance.

Creswell, J. W. (2002). 'Research Design‟ Qualitative, Quantitative, and Mixed Methods Approaches (2 ed.). SAGE publications.inc.

Elias, M. (2015).Determinants of Dividend Payout in Ethiopian Private Banks from 2009/10 to 2013/14.

Dagnew, Y. (2009). The determinants factors of dividend payment of private banks in Ethiopia.

Dickens, R. N., Casey, K. M., and Newman, J. A. (2002).Administration Bank Dividend Policy: Explanatory Factors. Quarterly Journal of Business and Economics, 41(1/2), 3-12.

Easterbrook, F. H. (1984). Two Agency-Cost Explanations of Dividends. The American Economic Review.

Fama, E. F., and French, K. R. (2001). Disappearing dividends: changing characteristics or lower propensity to pay? Journal of Financial Economics.

Gill, A., Biger, N., andTibrewala, R. (2010). Determinants of Dividend Payout Ratios: Evidence from United States. The Open Business Journal.

Gordon, J. M. (1959). Dividends, earnings, and stock prices. The Review of Economics and Statistics.

Gujarati, D. N. (2004). Basic Econometrics (4 ed.). The MacGraw-hill Companies.

Gustav, H., and Gairatjon, I. (2012). Determinants of Dividend Payout Ratios; A Study of Swedish Large and Medium Caps; A degree project. Sweden: Umeå School of Business and Economics.

Holder, M., Langrehr, F., and Hexter, J. (1998). Dividend policy determinants: an investigation of the influences of stakeholder theory. Financial management.

Imran, K. (2011, September). Determinants of Dividend Payout Policy: A Case of Pakistan Engineering Sector. The Romanian Economic Journal.

Jensen, M. C. (1986). Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers. The American Economic Review.

Kinfe, T. (2011). Determinants of Dividend payout: An Empirical Study on Bank Industry in Ethiopia. Thesis submitted to Addis Ababa University in partial fulfillment of Masters of Accounting and Finance.

Komrattanapanya, P., andSuntrauk, P. (2013). Factors Influencing Dividend Payout in Thailand: A Tobit Regression Analysis. International Journal of Accounting and Financial Reporting.

Lee, S. W. (2006). Determinants of dividend policy in Korean banking industry. Banks and Bank Systems.

Lintner, J. (1956). Distribution of Incomes of Corporations among Dividends, Retained Earnings, and Taxes. The American Economic Review.

Maladjian, C., and El Khoury, R. (2014). Determinants of the Dividend Policy: An Empirical Study on the Lebanese Listed Banks. International Journal of Economics and Finance.

Malhotra, N. K. (2007). Marketing Research: An Applied Orientation (5 ed.). New Delhi: Pearson Publication.

Miller, H. M., and Modigliani, F. (1961).Dividend policy, growth and valuation of shares. Journal of Business.

Mohammed.H, Dato H. and Abdurezak Y. (2013). The Dividend Payout Policy – A Comparison on Malaysian Islamic and Conventional financial Institutions. WEI International Academic Conference Proceedings. Istanbul, Turkey.

NBE. (2014). Retrieved 12 20, 2014, from National Bank of Ethiopia: www.nbe.gov.et

Nuredin, M. (2012).Determinants of Dividend Policy of Insurance Companies in Ethiopia. Thesis submitted to Addis Ababa University in partial fulfillment of Masters of Accounting and Finance.

Rozeff, M. S. (1982). Growth, beta and agency costs as determinants of dividend payout ratios. Journal of Financial Research.

Shapiro, A. C. (1990). Modern Corporate Finance. New York: Macmillan Publishing Company.

Sheikh Taher, A. (2012). Determinants of dividend payout policy: Evidence from Bangladesh. International Journal of Economic Practices and Theories, 2(3)

Schroeck, G. (2002). Risk management and value creation in financial institutions. New Jersey: John Wiley and Sons, Inc.

Trang, N. T. (2012). Determinants of Dividend Policy: The case of Vietnam. International Journal of Business, Economics and Law, 1.

Watson, D., and Head, A. (2010). Corporate Finance: Principles and Practice (5 ed.). Pearson Education Limited.

Weber, R. D., and Dr. Procianoy, J. L. (2014). Are Banking Dividends Different? Evidence from the Brazilian Banking Sector. Brazil

WWW.awashbank.com, company profile

Wooldridge, J. M. (2006). Introductory Econometric: A Modern Approach. International Student (3ed.). Canada: Thomson South–Western

Zaman, S. (2013). Determinants of Dividend Policy of A Private Commercial Bank in Bangladesh: Which is The Strongest, Profitability, Growth or Size? Proceedings of 9th Asian Business Research Conference. Dhaka, Bangladesh: BIAM Foundation

Zerayehu E. S., Kagnew T. W, and Teshome A. K. (2013). Competition in Ethiopian Banking Industry. African Journal of Economics.

Zhang, X., and Fu, J. (2014). Does Ownership Structure Matter for Dividend Yield? Evidence from the Hong Kong Stock Exchange. Business and Economic Research