Account and Financial Management Journal e-ISSN: 2456-3374
Volume 3 Issue 06 June- 2018, (Page No.-1571-1580)
DOI:10.31142/afmj/v3i6.03, I.F. - 4.614

Determinants of Dividend Payout of Commercial Banks Listed At Dar Es Salaam Stock Exchange (DSE)

Gwahula Raphael[1] (Ph.D.), Wilson Mnyavanu[2]

[1]Lecturer- Department of Accounting and Finance, Open University of Tanzania
[2]Economist President Office, Ethics secretariat, Dar es Salamm

Corresponding Author: Gwahula Raphael
Bsc, Hons, MBA Finance, PhD Finance
Lecturer-Department of Accounting and Finance Open university of Tanzania, +255717590781

Abstract: The study is about the analysis of the determinants of dividend payout of commercial banks listed at Dar es salaam Stock Exchange (DSE) over the period 2010-2016.Balanced panel data from three selected commercial banks listed at Dar es salaam Stock Exchange (DSE) used were obtained from companies audited financial statements. The variables used were Dividend payout. Profitability, liquidity, firm size, growth and financial leverage. Multiple Linear Regression was used to analyze the collected data. The key findings of this research is that profitability, liquidity, growth and financial leverage are statistically significant determinants of dividend payout of the commercial banks while firm size is not a statistically significant variable for determining dividend payout.

Key words: Determinants, Dividend Payout, Profitability, Liquidity, Firm Size, Growth, Leverage

1. Introduction

Dividend is the reward or return to the owners of a company stock for holding its share instead of other alternatives. A company may or may not choose to pay dividend irrespective of its prior dividend policy. Nevertheless many investors view a regular dividend payment as an important indicator of a good investment and as such most companies are reluctant to reduce or not to make dividend payments. Thus dividends may be considered as cash distributions of earnings made by a company to its owners of capital, they are payments made by firms to their shareholders (Mc Laney 1991).

Dividend policy refers to the explicit or implicit decision of the board of directors regarding the amount of residual earnings (past or present) that should be distributed to the shareholders of the company (Gibson, 2009). "It is the practice that management follow in making dividend payout decision or in other word the size and pattern of cash distribution over time to shareholders" (Lease et al 2000). Dividend policy is a one of the most debated topics and a core theory of corporate finance which still keeps its prominent place. Many researchers presented various theories and uncountable empirical evidences, but the issue is still unresolved and open for further discussion. It is among top ten unresolved problems in the finance literature and we have not an adequate explanation for the observed dividend behavior of the firms, Black (1976), Brealey and Myers (2005), Allen and Michaely (2003).

Black (1976) wrote that "the harder we look at the dividend picture the more it seems like a puzzle, with pieces that just do not fit together''. There are several reasons whether firms should pay dividends or not. The "dividend puzzle;" why firms pay dividends and stock holders pay attention to dividends is still unresolved. Many hypotheses have been drawn to shed some light on this puzzle but the problem still exists.

Dividends payout policy plays an important role to companies including financial such as banks in decision making. Similar with other decisions, the management should consider dividend policy decision because if the firm decide to pay more dividends, it retains fewer funds for investment purpose, thus the firm may be forced to revert to capital markets to gain funds (Baker and Powell (2000). In developed economies, the decision whether pay dividends or keep as retained earnings has been taken very carefully by both investors and the management of the firm. (Glen et al. 1995).

Since the work of Lintner (1956), followed by the work of Miller and Modiglian (1961), divided policy remains the controversial issue. This is because some of questions such as what are the factors that determine dividend? Is dividend policy determined dependently or independently? Are still remaining unanswered.

Although many researchers have focused on developed markets such as USA, Britain, Japan and others there is little attention placed on developing or emerging markets or economics. Therefore the findings from developed economics cannot be directly applied to the developing economies like Tanzania due to differences in regulations, culture, environment and the nature of investors.

Thus additional insights into the dividend policy debate in developing countries or economics like Tanzania which is lacking in the literature and probably very few studies conducted to solve the dividend puzzle in Tanzania is inevitable.

This study therefore intends to find out the determinants of dividends payout policy for commercial banks listed at Dar es salaam stock exchange (DSE) and to check if the possible determinants identified in the theoretical and empirical literature hold in a developing stock exchange like DSE or are more puzzling as well as help corporate managers and directors of commercial banks have a guide when making dividend decision.

Despite of many researches conducted by financial economists, the issue of dividend policy determinants still remains unresolved. Brealey and Myers (2005)listed dividends issue as one of the top ten important unresolved issues in the field of advanced corporate finance. This is consistent with Black (1976), who stated that ‘’the harder we took at the dividend picture, the more it seems like a puzzle wit piece that do not fit together”. It is noted that there are many researches done on the subject of dividend policy for many countries but the actual motivating factors which determine dividend decision still remain unresolved in corporate finance and thus further research is crucial in order to increase the understanding of the subject. Baker and Powell (1999). Thus lack of the conclusive consensus for the subject of dividend policy, many researchers continues conducting the study on this field in order to obtain a strong theoretical and empirical solution of the dividend puzzle.

Dividend payout for commercial banks listed at DSE differ as each bank decides on what how and when to pay dividend to its shareholder. Some banks pay higher and other pay less dividend although they operate under the same business environment culture, tax policies and other regulations. The questions like how do the commercial banks set their dividend and why do these banks pay dividends impose the problem in dividend payout policy in Tanzania context. These confirm that there is no unified picture regarding dividend payout policy and therefore remain one of the most debated issues within the field of advanced corporate finance. However in terms of Tanzania context researches on knowledge for determinants of dividend payout is still limited. It is from that view, this research aim at examining the determinants of dividend payout policy for commercial banks listed at DSE which may offer further insights on what significant factors are supposed to be considered on deciding dividend payments.

The main purpose of this study is to examine the determinants of dividend payout of commercial banks listed at DSE. The specific objectives are

(a) To examine the effect of profitability on commercial banks dividend payout .

(b) To determine how the liquidity affect the dividend payout of commercial banks

(c) To establish the impact of financial leverage on commercial banks dividend payout.

(d) To identify the relationship between firm size and commercial banks dividend payout

(e) To find out the relationship between growth and commercial banks dividend payout Using secondary balanced panel data obtained from commercial banks audited and published financial statements for the period of six years from 2010-2016 the study attempt to provide answers to the following question. What is the effect of profitability, liquidity, firm size, growth and financial leverage in determining dividend payout of commercial banks listed at the Dar es salaam Stock Exchange?

Consistent with the objective stated and research question, the following null hypothesis were formulated.

H01. There is significant positive effect between profitability and dividend payout policy of commercial banks listed at DSE.

H02 There is positive significant relationship between liquidity and dividend payout of commercial banks listed at DSE

H03: There is negative significant relationship between dividend payout of commercial banks listed at DSE and Leverage.

H04: There is positive significant relationship between dividend payout of commercial banks listed at DSE and the size of the firm.

H05: There is negative significant relationship between dividend payout policy of commercial banks listed at DSE and sales growth.

The rest of this paper is organized as follows; section two presents review of related literature, section three presents data and variables, section four describes research methodology and tests of underlying assumptions, section five presents data analysis and interpretation of findings and finally section six presents conclusions and recommendations.

2. Literature Review

Dividend is simply the money that a company pays out to its share holders from the profit it has made Droughty (2000); such payments can be made in cash or by issuing of additional shares as in script dividend. Davies and Pain (2000) however defined it as the amount payable to shareholders from profit or distributable reserves. Also Pandey (2004) defined dividends as the earnings distributed to shareholders. Companies that are listed in the stock exchange are usually obligated to pay out dividends on a quarterly or semi annual basis. The semiannual or quarterly payment is referred to as the interim dividend while the final payment which is usually paid at the end of financial year of the company is known as final dividend. Dividends are normally paid after the corporate tax has been deducted and it depends on the willingness of the corporate management to distribute their surplus from net income to shareholders or to retain it for re-investment in other profitable projects.

The empirical analysis of different literatures gives an insight regarding the determinants of dividend policy in different countries. For instance Lintner (1956) performed the first empirical evidence of dividend policy whereby interviews were conducted to the sample of 28 selected companies. Through this study it was discovered that companies possesses a long run target dividend payout ratios and they put more attentions on charges for dividend that absolute levels of dividend. Also he found out that changes in dividend follows the shift of managers smooth earnings which is a log run smooth earning whereby managers hesitate to decide on dividend changes which may be needed to be reversed later. These managers also try to avoid dividend cuts therefore stabilizing the dividends. The partial –adjustment model was developed by Lintner for the reason of describing the decision process of dividend that illustrated eighty five percent of year – to year dividend changes.

The seminar article by (Miller and Modiglian 1961) is ground breaker in the theoretical modeling of dividends which primarily proposed dividend irrelevant. For the other side theories which give support to dividend relevance incorporates signaling, agency explanation and tax preference. Models which have been empirically tested have been developed by other researchers explaining dividend behavior .Others have conducted research on corporate management to learn the critical and important determinants of dividend payout policy.

Lee(2009), made a study on determinants of Dividend policy in Korean Banking Industry. In his study he used panel data of banks in Korea starting from year 1994-2005 and the results showed that profitability and bank size has positive correlation with dividend payout of the bank. And the conclusion was that since banks are being regulated by the regulators in terms of monitoring and evaluation the dividend policy of the banks is closely related to their risks.

Imran (2011) conducted a research on Determinants of dividend payout policy a case of Pakistani Engineering sector. The purpose of the study was to empirically investigate the factors that determine the dividend payout decision in the case of Pakistani Engineering sector by using the data of thirty six firms listed on Karachi Stock Exchange from the period 1996 to 2008. By employing various panel data techniques like fixed and random effects and the results showed that dividend per share was a positive function of last year’s dividend, earnings per share ,profitability, sales growth and size of the firm where as has a negative association with cash flow. The liquidity of the firm has found unrelated to the dividend payout in the case of Pakistani Engineering firms. Therefore previous year dividend per share, earning per share, profitability, cash flow, sales growth and size of the firm are the most critical factors determining the dividend policy in engineering sector of Pakistani.

Yusuph and Muhammed(2015), examined the determinants of dividend payout in Nigerian banking Industry for the period of ten years from 2004-2013 for five banks using a multiple regression and Pearson correlation where profitability, liquidity, size and financial leverage were the factors tested. The results showed that all these factors were the determinants of dividend payout of banks in Nigeria and out of these the profitability was the critical one.

Maladjian and El Khoury (2014), investigated the factors determining dividend payout policy in Lebanese banks listed on Beirut stock Exchange where seven variables which are profitability, liquidity, leverage, firm size, growth, firm risk and previous year dividend were tested using OLS and dynamic panel regression where unbalance panel data set for seven years from 2005-2011 from listed banks were collected. The results showed that firm size, risk and previous year dividend were positive affected the dividend payout while on the other hand growth opportunity and profitability affected dividend payout negatively.

Terzungwe and Adekunle(2013), ascertained the factors for dividend payout in Nigerian Banking industry for the period of ten years from 2001-2010 for five banks using a Multiple regression model where Profit after tax, shareholders fund and liquidity were the factors tested. The results showed that profitability as measured by profit after tax, shareholders fund and liquidity were the key determinants of dividend payout of Nigerian banks and among the three liquidity was the foremost of all.

Also Uwuigbe et al (2013), Investigated the relationship between the financial performance and dividend payout among listed firms in Nigeria. The study also looked at the relationship between ownership structure, size of the firm and the dividend payouts. The corporate annual reports for the period 2006-2010 were analyzed as it was collected from 50 listed firms in the Nigeria stock exchange. The regression analysis method used to analyze the collected data. The conclusion from this study is that there is significant positive relationship between firm’s financial performance, size of the firm, board independence and dividend payout.

Badu(2013), examined the determinants of dividend payout policy of listed Financial institutions in Ghana employing fixed and random effect panel data for five years from 2005-2009 where age, liquidity, profitability and collateral were the factors included and tested. The results showed that only age and liquidity were the positive and significant determinants of dividend payout of Financial institutions listed in Ghana while Profitability and collateral were statistically insignificant determinant.

Musiega et al (2013) examined the determinants of dividend payout policy among Non-financial firms on Nairobi securities exchange. 30 non financial firms were sampled from 50 listed non-financial firms. The multiple regression model were used to analyze the data. The finding from the study were that return on equity, current earnings and firm's growth activities were positively correlated to dividend payout.

Kinfe (2011) investigated the factors determining dividend payout policy of banks in Ethiopia from 2006-2010 using panel data set of their audited financial statements as a source of data and ordinary least square as a technique for data and analysis. The findings reveal that the main characteristics of firm's dividend payout, were that dividend payment related strongly and directly to the firm size and logged dividend per share but negatively to liquid ratio. However the results further revealed that there is no relationship of profitability leverage and growth as independent variable with dividend payout. The statically significant variable indicates that firm pay dividend with the intention of reducing the agency problem.

Amidu and Abor (2006) investigated determinants of dividends payout policy on a six year period between 1998 to 2003 for listed firms in Ghana stock exchange. Twenty two firms which qualifies for the study represented 76 percent of listed firms with panel data methodology in which Ordinary least square model used to estimate regression equation. The results show positive relationship between dividend payout ratios and profitability, cash flow and tax. The result also shows negative associations between dividend payout and risk, institutional holding growth and market to book value. However the significant variable in the results are profit ability, cash flow sales growth and market –to-book value. Thus this study suggests that growing firms will pay low dividends because they require more funds in order to finance their growth. Also firms with higher market to –book value have good investments opportunities thus pay low dividends.

Kisuguru,(2013) examined the determinants of dividend payout policy for manufacturing companies listed at DSE in Tanzania. The results showed that profitability has a significant relationship with dividend payout. Also it showed that other variables examined found to have insignificant relationship with dividend payout. Liquidity, growth, and leverage showed negative relationship with dividend payout while firm size found to have positive relationship. Thus the conclusion from this study was that Liquidity, leverage, growth and firm size have insignificant influence on dividend payout decision of manufacturing companies listed at DSE and Profitability was the major determinant of dividend payout policy of manufacturing companies listed at DSE.

3. Variables and Data

3.1 Sources of Data

This study based on balanced panel secondary data of commercial banks listed at Dar es salaam stock exchange collected from their annual published audited financial statements for the period of six years from 2010-2016. This study used a purposive sampling to select banks to be included. To be included banks was supposed to meet the following criteria;

a. Commercial banks with regular annual report and account for the study period (2010-2016)
b. Commercial Banks with positive earnings through the period of the study (2010-2016)
c. Commercial banks with dividend payout history throughout the period of the study (2010-2016)
d. Commercial banks with more than three years of listing on the DSE
e. Commercial banks with more than five years of incorporation and are domestic.

The rationale behind adopting criteria a, b and c is that it will provide the variables to be regressed to a certain the significance of the Commercial banks. On the other hand Criteria d and e are adopted because it will provides reliability and consistency in the data to be used for the regression analysis

After the application of the above criteria, three commercial banks are included. These are DCB Commercial Bank Plc, NMB Bank plc and CRDB Bank Plc.

3.2 Variables definition

3.2.1 Dependent Variables

Consistent with previous studies that examined the main factors determining the dividend payments, the dependent variable used in this study is Dividend payout(DIP) which is defined as Dividend per share divided by Earning per share.(Musiega et al 2013)

3.2.2 Independent Variables

Despite of many variables determining the dividend payout, this study use profitability, liquidity, firm size, growth and financial leverage.

a. Profitability (PROF)

In this study profitability is measured as Net income or Return on equity divided by Total Equity shares outstanding. Baker and Powel(2000). Many studies have found that profitability is the one of the most crucial determinants of dividend payout policy.(Kinfe,2011, Amidu & Abor, 2006, Lintner 1956, Pruit &Gitman 1991). Refering to Signaling theory of dividend policy, firms which are profitable tend to be willing to pay higher amount of dividend to convey their good financial performance. Therefore this study expect a positive relationship between firm profitability and dividend payout.

b. Liquidity(LIQ)

In this study Liquidity is measured by a current ratio, which is equal to current assets divided by current liabilities.(Ahmed &Javid 2009, Musiega et al 2013,Kinfe 2011).According to Signaling theory firms with larger amount of cash are in position to pay more dividend than those with inadequate cash. In line with this firms with adequate cash flow tend to pay more dividend in order to reduce the principal-agent conflict. thus this study expect a positive relationship between dividend payout and the firm liquidity.

c. Financial leverage(LEV)

Leverage as measured by total deposits both short term and long term divided by total assets is used to asses its impact on dividend payout. Although there is a mixed results regarding the effect of this variable on dividend payout, this study expect a negative relationship between the dividend payout and firm financial leverage,(Al-Malkawi 2009)

d. Firm size (SIZE)

Commercial bank size is measured as a natural logarithm of total assets as used by many researchers. (Maldjian &El-Khoury 2014, Kinfe,2011,amidu &Abor2006). This study expect a positive relationship between the firm size and dividend payout due to the fact that Large commercial banks tend to be more competitive, easy to access capital from the public due to better credit rating influenced by more customers and collateral.

e. Growth opportunities(GRO)

In this study growth opportunities is measured by a change in revenues of the commercial banks from both interest and non interest. Whenever the firm grows rapidly, there is a need of more funds in order to finance the expansion, thus more funds will be retained for the expansion and no or very low dividend will be paid. Therefore this study expect a negative relationship between growth opportunities and dividend payout.

Table 2.1 Proxy variables definition and expected sign.

Variables		Abbrevia	Description	Expected
Dependent	Dividend payout	DIP	Dividend per share/earning per share	Nil
Independent	Profitability	PROF	Net income/ equity shares outstanding	Positive
	Liquidity	LIQ	Current	Positive
	Firm size	SIZE	Natural logarithm of total assets	Positive
	Growth	GRO	(current-previous revenue)/previous revenue	Negative
	Leverage	LEV	Total debts/ total assets	Negative

4. Methodology

4.1 Model specification

The general form of panel data regression model used in many other previous studies and this study to examine the effects of various factors on dividend payout of commercial banks is $Y_{it} = \alpha_{it} + \beta x_{it} + e_{it}$

Where Y_{it} represents the dependant variable, which is the firm's dividend payout policy, X_{it} contain the set of explanatory variables in the model, e_{it} is a disturbance or error term, the subscript i and t denotes the cross sectional and time series dimension respectively which is assumed to be constant over time t and specific to the individual cross sectional unit i. it is taken to be constant over time t and specific to the individual cross sectional unit i

Basing on general specified model above, the economically model for this study is respecified as

DIP = f (PROF, LIQ, GRO, SZ, LEV)

$$DIP_{it} = \beta_0 + \beta_1 PROF_{it} + \beta_2 LIQ_{it} + \beta_3 GRO_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + e$$

Where

DIP = Dividend Payout PROF = Profitability LIQ = Liquidity

GRO = Growth SIZE = Firm size

e = error / disturbance term

4.2 Assumptions of CLRM

To maintain data validity and robustness of the regressed result of the research under the classical linear regression model(CLRM) the six assumptions required will be tested in order to identify any misspecification and correcting them so as to ensure the research quality.

4.2.1 Test for Linearity

In order to test for linearity between the dependent variable and the independent variables the researcher used SPSS to plot the graph of the regression standardized residuals so as to see the residual distribution pattern. Below is the graph showing the distribution pattern of the standardized residuals.

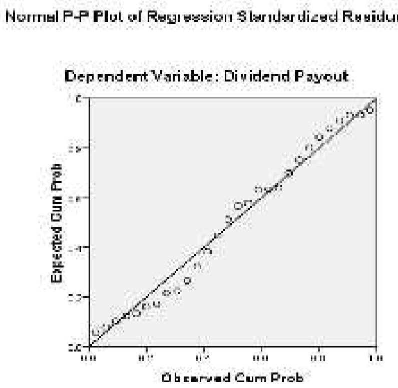

Figure 1

From the graph above it can be noted that the standardized residuals have linear distribution therefore showing that the variables (dependent variable and independent variables) in the model were linearly distributed therefore depicting linearity and aligning with the OLS assumption of the linear regression model.

4.2.2 Test for Normality

The OLS assumption of linear regression also suggests that Error terms should be normally distributed. Below is the graph showing the distributions of the error term in the designed model with the analyzed data

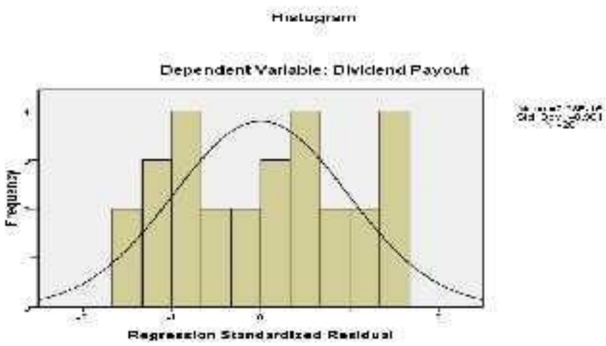

Figure 2

As it can be seen on the above graph the error terms are normally distributed therefore aligning with the OLS assumption of normal distribution of the error terms. Therefore by having normal distribution of the error terms as plotted from SPSS it

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.996[a]	.992	.991	1.040E9	1.913

a. Predictors: (Constant), Financial Leverage , Growth, Liquidity, Profitability, Firm Size
b. Dependent Variable: Dividend Payout

can be concluded that the model was fit to estimate the parameters of the variables and give conclusion of the relationship between variables.

4.2.3 Test for Heteroscedasticity

Heteroscedasticity is tested in SPSS by performing a scatter plot of residuals from the variables within the designed model for test. However if the residuals are scatted then it shows that there is no heteroscedasticity but if the residuals have a defined shape such as rectangle then there is the presence of heteroscedasticity.

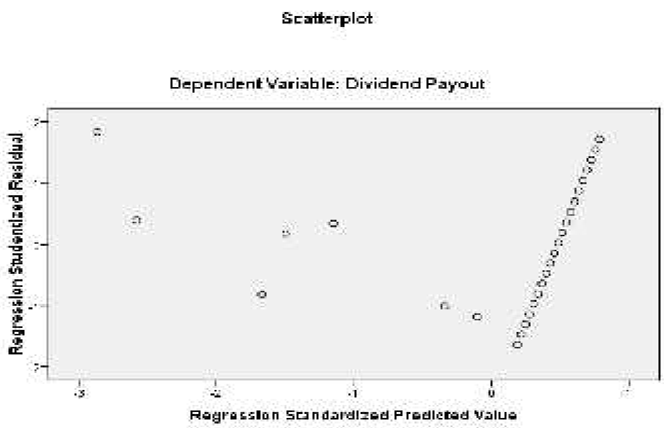

Figure 3

From the figure above which were obtained from scatter plot of the SPSS it can be noted that the residuals have a random shape therefore showing that there is no heteroscedasticity and the errors are randomly distributed therefore independent random sampling of observations.

4.2.4 Durbin-Watson test for Autocorrelation

The widely known test for autocorrelation is Durbin-Watson test. The Durbin-Watson test threshold lies between 0 to 4 meaning that the test result lying from 2 to 4 is that the parameters in the model are negatively auto correlated and the test result below 2 means that the parameters in the model are positively correlated.

From the above table it can be noted that the Durbin-Watson is 1.913 which can be rounded off to 2 therefore the parameters in the model are not experiencing the autocorrelation problem therefore not violating the OLS assumptions .Therefore the designed model for this research is best for variables relationship test

4.2.5 Test for Multicollinearity

Below are the results for the multicollinearity test as performed through SPSS to see if the data for the designed model had no presence of multicollinearity problem. One of the independent variable (Financial Leverage) was made a dependent variable and tested against other independent variables and the results were as follows:-

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	Liquidity	.221	2.927
	Growth	.619	2.614
	Firm Size	.059	1.038
	Profitability	.095	2.527

a. Dependent Variable: Financial Leverage

From the above table Since the VIF of all remained independent variables against the new dependent variable (Financial Leverage) is below the threshold of 3 then the independent variables are not correlated hence having no multicolleneairty. Therefore it can be concluded that the linear regression model of this study had no multicollinearity problem hence not violating the OLS assumption.

5. Empirical results and discussion

This section presents analysis of results performed on collected data. The analysis of data was carried out with the help of statistical package for social science (SPSS)

Correlation analysis results

Correlations

		Dividend Payout	Profitability	Liquidity	Growth	Firm Size	Financial Leverage
Dividend Payout	Pearson Correlation	1	.921**	.840**	-.385*	.988**	-.922**
	Sig. (2-tailed)		.000	.000	.043	.000	.000
	N	28	28	28	28	28	28
Profitability	Pearson Correlation	.921**	1	-.649**	-.666**	.912**	-.816**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	28	28	28	28	28	28
Liquidity	Pearson Correlation	.840**	.649**	1	.060	.890**	.871**
	Sig. (2-tailed)	.000	.000		.763	.000	.000
	N	28	28	28	28	28	28
Growth	Pearson Correlation	-.385*	.666**	.060	1	.385*	.321
	Sig. (2-tailed)	.043	.000	.763		.043	.096
	N	28	28	28	28	28	28
Firm Size	Pearson Correlation	.988**	.912**	-.890**	-.385*	1	-.928**
	Sig. (2-tailed)	.000	.000	.000	.043		.000
	N	28	28	28	28	28	28
Financial Leverage	Pearson Correlation	-.922**	-.816**	.871**	.321	-.928**	1
	Sig. (2-tailed)	.000	.000	.000	.096	.000	
	N	28	28	28	28	28	28

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6.59	9.522		-6.922	.000
	Profitability	1.977	2.511	1.372	7.875	.001
	Liquidity	1.223	2.448	.428	4.994	.000
	Growth	-1.162	4.421	.097	2.629	.015
	Firm Size	.031	.040	.095	.762	.454
	Financial Leverage	-3.060	1.215	-.130	-2.519	.020

a. Dependent Variable: Dividend Payout

From the above it seems that dividend payout is positively correlated with profitability, liquidity, and firm size. However from the above table financial leverage and growth seem to be negatively correlated with dividend payout therefore as financial leverage and growth increases the amount for dividend payout decreases. Specifically from the above table it suggests that as profitability of the commercial bank increases the dividend payout also increases since there is positive correlation between them. In terms of Liquidity since it is the ratio between the total current asset total current liabilities as the liquidity increases the possibility for dividend payout also increases since there if a positive correlation between them as the table above depicts. Firm size also shows high positive correlation with dividend payout of 0.988 which entails that as firm size increases the dividend payout also increases. In terms of growth it seems that as growth of the bank increases the dividend payout also decreases since there is a negative correlation between them. Therefore in this study growth and financial leverage has a negative correlation with dividend payout. Linear regression analysis results

Linear Regression Analysis Results

5.1 Profitability and Dividend Payout

Statistically from the above table it was observed that profitability has the p value of 0.001. Since this p values are below the significance level of 0.05 it can be concluded that profitability is significant determinant dividends pay out for the commercial banks in Tanzania .However it can also be noted from the above table that profitability has a positive parameter coefficient which entails that as profitability of the commercial banks increases the dividend payout also increases.

5.2 Liquidity and Dividend Payout

The above table shows that Liquidity has the p value of 0.000. This concludes statistically that liquidity is a significant determinant of dividend payout since its p value in the table above is below the significant level of 0.05. However it can also be noted from the above table that liquidity has also a positive parameter coefficient which entails that as liquidity of the commercial bank increases the dividend payout also increases.

5.3. Growth and Dividend Payout

The above table shows that Growth has the p value of 0.015. This p value statistically concludes that Growth is a significant determinant of dividend payout since its p value in the table above is below the significant level of 0.05. However it can also be noted from the above table that Growth has also a negative parameter coefficient which depicts that as Growth of the commercial bank increases the dividend payout also decreases.

5.4 Firm size and Dividend Payout

The above table shows that firm size has the p value of 0.454. This p value statistically concludes that firm size is not a significant determinant of dividend payout since its p value in the table above is above the significant level of 0.05. However in terms of parameter coefficient it can be seen that it has a positive parameter coefficient which concludes that as a firm size increases the dividend payout also increases. Therefore even if the firm size is not statistically significant determinant of dividend payout its should not be ignored since it has some positive influence as far as dividend payout is concerned. This did not also tally with Uwuigbe et al (2013) who Investigated the relationship between the financial performance and dividend payout among listed firms in Nigeria. The study concluded that there is significant positive relationship between firm's financial performance, size of the firm, board independence and dividend payout.

5.5Financial leverage and Dividend Payout

The above table shows that Financial leverage has the p value of 0.020. This p value statistically concludes that Financial leverage is a significant determinant of dividend pay out since its p value in the table above is below the significant level of 0.05. However it can also be noted from the above table that Financial leverage has also a negative parameter coefficient which depicts that as Financial leverage of the commercial banks increases the dividend pay out decreases. This study tallies with Uwuigbe et al (2013) who investigated the relationship between the financial leverage and dividend payout among listed firms in Nigeria. The regression analysis method was used to analyze the collected data. The conclusion from this study is that there is significant negative relationship between financial leverage and dividend payout.

6. Conclusion and Recommendations

The study aimed at examining the factors determining dividend payout of commercial banks listed at Dar es salaam Stock exchange. The results shows statistically significant and positive relationship between Profitability, Liquidity, Growth and Leverage and dividend payout but revealed statistically insignificant between firm size and dividend payout.

Basing on the study key findings, this study recommends that there is a need of dividend payout policy makers of commercial banks such as finance directors and board of directors at large to emphasize on profitability, liquidity, growth and leverage since these are important factors which influences dividend pay out to commercial banks hence maintaining the banks customers and shareholders.

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