



The Impacts of Hofstede's Cultural Dimensions and Ownership Structure on Dividend Policy of Financial Sectors in Jordan

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ABSTRACT

Purpose - This study aims to explore the significant relationship of Hofstede's Cultural Dimensions and Ownership Structure with Dividend policy in financial companies listed - (Insurance and Banking sectors) - at Amman stock exchange for the year of 2019.

Methodology - The study based on agency theory and Hofstede's cultural dimension theory to understand the nature of the theoretical relationship between these variables. The six Dimensions- (PDI: Power Distance Index; IDV: Individualism versus Collectivism; MAS: Masculinity versus Femininity; UAI: Uncertainty Avoidance Index; LOT: Long- Versus Short-Term Orientation; IND: Indulgence versus Restraint) are represented as proxies of Hofstede's Cultural theory. On the other hand, Foreign Ownership; Concentrated Ownership and Institutional Ownership are represented as proxies of Ownership Structure. The Payout ratio is used as a proxy for the Dividend Policy. The questionnaire was distributed to target companies to measure cultural dimensions.

The study tested the validity and reliability of the questionnaire by using the Cronbach Alpha factor. The researchers have employed the SPSS program to process the data statistically and to test the hypotheses and models of study. Further, Linear Regressions Technique was used to predict the significant relationship among the variables

Findings - Results have shown that six Hofstede's Cultural Dimensions and Ownership Structure have no significant relationship with Dividend policy.

Conclusion - The study contributes to the existing literature by filling out the gap in studies that have been carried out on the impact of Hofstede's Cultural Dimensions and Ownership Structure on Dividend policy in Jordan. Furthermore, the study has practical implications such as directing the Jordanian companies to make an effective investment decision by recognizing the effect of Hofstede's Cultural Dimensions and Ownership Structure on Dividend policy. Also, helping researchers, thereby serving as an input and a motivation for further research in the future.

Keywords: Hofstede's Cultural Dimensions; Ownership Structure; Dividend policy; Insurance, Banking Sector; Jordan.

JEL classifications: G32; G35; M41; G10.

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1. Introduction

The dividend policy is one of the issues that are still subject to many arguments in the literature. There is a direct relationship between the dividend policy and investors, and therefore it is considered one of the most important financing policies in companies. It is known that most of the corporate goals are to maximize the wealth of investors by raising the share price and this requires companies to establish a dividend policy that meets the interests of large and small investors.

Recently, Culture is considered a critical issue in the literature, in particular, Hofstede's cultural dimensions. This is due to the important role that the culture plays since it consists of values and trends which influence the performance of employees and, consequently, the performance of the company in which they work. In this context, it is noticeable that modern literature of dividend policy has evolved to take into consideration national culture that could influence on dividend policy. Among the challenges of this study is the absence of local studies at the level of Jordan or the Arab countries. However, literature has a large part of global studies have conducted on the impact of Hofstede's Cultural Dimensions and Ownership Structure on Dividend policy and most of these studies indicate that there is an effect of culture on Dividend policy. Therefore, it is important to explore this issue to cover this gap in the literature in the Jordan context. Hence this study aims to determine whether Hofstede's Cultural Dimensions and Ownership Structure impact on Dividend policy in the Insurance and Banking Sectors in Jordan by adopting the agency theory and Hofstede's cultural dimension theory in order to construct the theoretical framework. The study uses a sample of (16) banks and (23) insurance companies for the year 2019.

This study has reviewed the literature related to the Hofstede cultural dimensions theory and agency theory. To measure the cultural dimensions a questionnaire was designed and distributed to the target companies. Further, the ownership structure and Dividend policy was collected from the Amman stock exchange. The researchers have employed the SPSS program to process the data statistically and to test the hypotheses and models of study. Further, we have used Linear Regressions Technique to predict the significant relationship among the variables.

The study contributes to the existing literature by verifying the importance of culture and ownership structure on dividend policy in Jordanian companies since there are not enough studies that have been carried out on the impact of Hofstede's Cultural Dimensions and Ownership Structure on Dividend policy in Jordan. . Furthermore, the study suggests practical implications such as directing the Jordanian companies to make an effective investment decision by recognizing the effect of Hofstede's Cultural Dimensions and Ownership Structure on Dividend policy. Also, helping researchers thereby serving as an input and a motivation for further research in the future.

The structure of the study covers five sections: Introduction; literature review; research methodology & empirical model; empirical results; conclusion and recommendations. Finally, practical implications and suggestions for future studies.

1.1 Research problem statement

The literature indicates that there is a relationship between corporate governance, culture and Dividend policy. As well some studies assert on the role of cultural in ownership structure (e.g. (Oliveira, 2016); (Bae, Chang, & Kang, 2012); etc. Regarding the Jordanian context, the literature indicates there are rare empirical studies conducted regarding Hofstede's cultural dimensions and ownership structure and their impact on dividend policy. Hence, the problem of paper stems from here. This paper will answer the question: What is the impact of Hofstede's cultural dimensions and ownership structure on the dividend policy on the insurance and banking sectors in Jordan?

1.2 Research questions

1. Is there a relationship between Hofstede's Cultural Dimensions and Dividend policy in the insurance and banking Sectors in Jordan?
2. Is there a relationship between Ownership structure and Dividend policy in the insurance and banking Sector in Jordan?

1.3 Research significance

The Significance of the papers arises from the fact that many studies conducted on Hofstede's Cultural Dimensions; Ownership Structure and Dividend policy in different parts of the world, most of the

studies are well documented in the literature but to the best of our knowledge, no studies carried out on the impact of Hofstede's Cultural Dimensions and Ownership Structure on Dividend policy in Jordan.

The following benefits are expected from the papers:

1. The outcome of the research will assist the related parties of the insurance and banking sectors in Jordan to know whether Hofstede's Cultural Dimensions and Ownership Structure made an impact on Dividend policy, which will guide them in taking a relevant investment decision.
2. The central bank of Jordan and Securities Depository Center will benefit from the outcome of the study which will enable them to examine the effectiveness of their monitoring governance mechanisms and the implications of agency theory, which allow them to review and upgrade them as appropriate.
3. This paper will be useful to researchers, thereby serving as an input and a motivation for further research.
4. This paper could be a catalyst for further researchers on Hofstede's Cultural Dimensions and Ownership Structure in other countries.

1.4 Research objectives

The main objective of the study is to determine whether Hofstede's Cultural Dimensions and Ownership Structure impact on Dividend policy in the Insurance and Banking Sectors in Jordan. The specific objectives are:

1. To determine the extent to which Hofstede's cultural dimensions impacts on dividend policy in the insurance and banking sectors in Jordan.
2. To determine the extent to which ownership structure impacts on dividend policy in the insurance and banking sectors in Jordan.
3. To understand the importance of Hofstede's cultural dimensions; ownership structure and dividend policy.

1.5 Research theoretical framework

To achieve the key objectives of the current paper and to provide evidence on the impact of Hofstede's Cultural Dimensions and Ownership Structure on Dividend policy in the Insurance and Banking Sectors in Jordan. The researchers suggest the model as shown below.

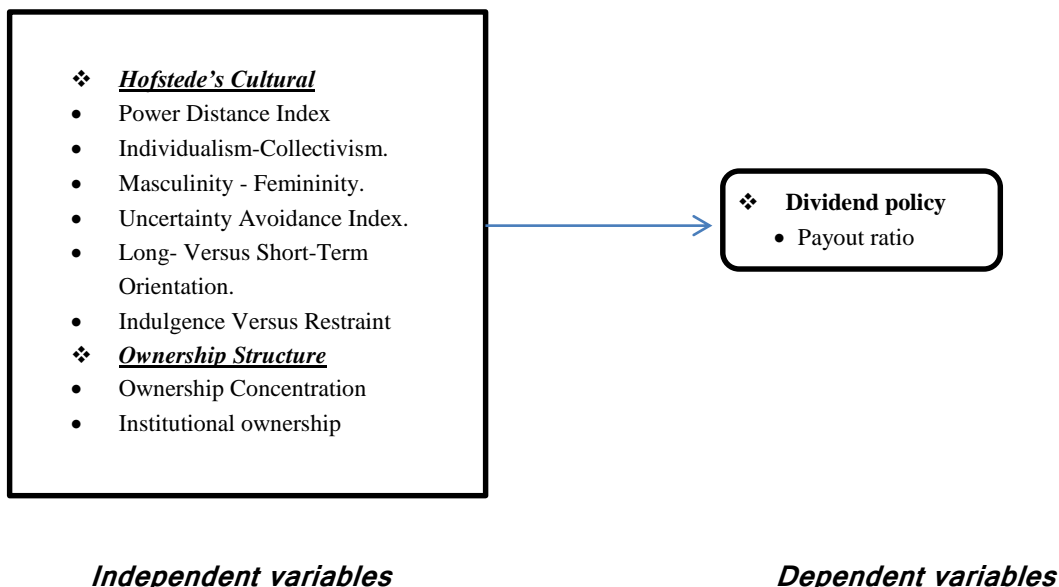


Figure 1. The theoretical proposed relation between the paper variables

1.6 Research hypotheses

In line with the objectives, the researchers formulate the following three Null hypotheses

H01: There is no significant effect of Hofstede's Cultural Dimensions on Dividend policy in the Insurance and Banking Sectors in Jordan.

H02: There is no significant effect of Ownership Structure on Dividend policy in the Insurance and Banking Sectors in Jordan.

1.7 Operational definitions

1.7.1 Hofstede's cultural dimensions

A brief explanation of Hofstede's cultural dimensions is presented below (Hofstede G. , 2011) (Hofstede G. , 1983):

- Power distance index (PDI): It is the dimension in which the extent of the existence of divergence in the administrative centers and also expresses the extent of the existence of central, basic and hierarchical within the organization, and the extent of the spacing between the leaders and subordinate. The Power Distance may range between (0-100) when it is 0 a small Power Distance and 100 a large Power Distance (Hofstede, Hofstede, & Minkov, 2010).
- Masculinity versus Femininity (MAS): It shows whether the organization gives women greater roles in the areas of control and senior leadership, this means femininity, but if women are not given the necessary roles, this means "masculine". Masculinity versus Femininity may range between (0-100). If the score is (0) low scores that means feminine society and if it is (100) that means the society is masculine (Hofstede, Hofstede, & Minkov, 2010).
- Individualism vs. collectivism (IDV): To what extent do individuals within the organization work collectively or individually? This is due to the general culture of each country. Individualism vs. collectivism may range between (0-100). If the score is (0) low scores that means a collective culture, and if it is high scores (100) that means an individualist culture (Hofstede, Hofstede, & Minkov, 2010).
- Uncertainty avoidance (UAI): To what extent do individuals deal with the future and the unknown? Are individuals tend to take risks, take risks and make decisions in uncertain conditions. Uncertainty avoidance may range between (0-100). If the score is (0) low scores that means the uncertainty avoidance culture is strong, and if it is high scores (100) that means the uncertainty avoidance culture is weak (Hofstede, Hofstede, & Minkov, 2010).
- Long-term orientation vs. short-term orientation (LTO): It shows the view of the members of society towards the future in terms of focusing on the long-term side and their acceptance of change or their focus on the short-term side through their adherence to traditional aspects and not accepting change.
- Indulgence vs. restraint (IND): Represents self-determining favourites that differentiate countries from each other. Indulgence reflects a society that satisfies the needs of humans. But restraint controlling these needs

1.7.2 Ownership structure

Some researchers define ownership structure as the distribution of equity concerning votes and capital, but also by the identity of the equity owners. However, in this paper, following (Anisa & Allam, 2018); (Saseela, 2017); (AL-Rawash & Alzeadeen, 2014) the ownership structure is divided into three types:

- Concentration Ownership: The amount of ownership of the five greatest shareholders: is equal to the sum of the percentage of ownership of five greater shareholders of each company.
- Institutional Ownership: The amount of ownership of institutional shareholders: is equal to the sum of the percentage of ownership of the legal shareholders of each company.
- Foreign Ownership: The amount of ownership of foreign shareholders: is equal to the sum of the percentage of ownership of the foreign shareholders of each company.

1.7.3 Dividend policy

(Ronald, Kose, Avner, Uri, & Oded, 2000) Define the dividend policy as "the practice that management follows in making dividend payout decisions, or in other words, the size and pattern of cash distributions over the time to shareholders." However, there are three measures of dividend policy: Dividend Payout, Dividend Yield, and Dividend Cover. Following (Aivazian, Booth, & Cleary, 2003); (Shao, Kwok, & Guedhami, National culture and dividend policy, 2010); (Jiraporn, Kim, & Kim, 2011); (Bae, Chang, & Kang, 2012), we use dividend Pay-out ratio as it indicates the percentage of earnings that are distributed to the owners in the form of cash.

2. Literature review

2.1 Definition of culture

In general, the literature defines Culture as a set of values or actions of individuals within a country or organization. Further, it is characterized as a group of common meanings that belong to a group of individuals, as it is acquired. Cultural values are one of the main dimensions of peoples' culture. Values are the fundamental beliefs of individuals. And these Beliefs and cultural values guide the behavior of individuals, which leads to divergence managerial practices from country to other (Hamad, 2015). According to (Alkailani, Azzam, & Athamneh, 2012) Values are the cornerstone of Hofstede's cultural dimensions. According to (Hofstede G. , 1983) Culture is a thoughtful form is transmitted from fathers and mothers to children.

2.2 The importance of cultural dimensions

Cultural dimension models are considered as an analytical framework in social psychology (Licht A. N., 2014). (Najia, 2013) Stresses that studying the cultural context of the company helps to understand, and anticipate the behavior of employees. Thus the administration can frame successful strategies to lead and monitor the behavior of employees. (Afanah, Sanjuq, Khairreddin, & Qaddoumi, 2014) Emphasize that a correct understanding of cultural dimensions promotes organizational obligation and the accomplishment of its goals.

2.3 Hofstede's cultural dimensions

Hofstede is a Dutch administrative scientist. He had developed the administrative status at IBM Company. He presents his theory after conducting a study on company employees Where he introduces (4) dimensions, which explain the reasons for the existence of cultural differences and explain the issue of multiculturalism and their differences. He explains the importance of taking into account cultural differences in understanding the behaviors and impressions of individuals within organizations. Later he adds to his theory the fifth dimension (Long-term orientation vs. short-term orientation) and the sixth dimension (Indulgence versus Restraint).

2.4 Hofstede's cultural dimensions and dividend policy

The literature of dividend policy research has evolved to take into consideration national culture that could influence on dividend policy. The literature is deficient in this issue clearly, especially in the Jordanian context. This paper is based on the literature that examines the impact of cultural dimensions on performance. (Bennink, 2018) Indicate that the culture explains the differences in cash dividend payout. This confirmed by (Chang, Chang, & Dutta, 2019) who indicates that national culture is important for dividend policy.

(Zheng & Ashraf, 2014) Examines the relationship between national culture and dividend policies of banks in (51) different countries. The study finds that there is a negative relationship between high uncertainty avoidance, power distance, and long-term orientation and dividends payout. On the other hand, there is a positive relationship between masculinity, individualism and indulgence and dividends payout. (Bennink, 2018) Examine the relationship between culture and cash dividend payout by using two dimensions of Hofstede's cultural dimensions. The study shows that uncertainty avoidance negatively correlated with dividend payout. Further, individualism positively correlated with cash dividend payout.

(Shao, Kwok, & Guedhami, 2008) Examine the relationship between culture and dividend behavior. The study explains the differences in dividend policies cross-country. Further, the findings show that culture impacts on dividend policies over the agency. Differently, the study uses Schwartz dimensions (Conservatism) and (Mastery) to measure the culture. The results show that Conservative (Mastery) Investors and management trait more (less) significance to agency problems. Further, the study shows that (Conservatism) positively correlated with dividends payouts while the (Mastery) negatively correlated with dividends payouts. In other words, high conservatism cultures and low mastery cultures positively correlated with dividend payout policies.

2.5 Ownership structure and dividend policy

Several studies in the previous literature have conducted to examine the relationship between ownership structure and dividend policy worldwide, but the results are mixed.

The majority of previous studies have found that ownership structure (Ownership Concentration, Institutional Ownership, and Foreign Ownership) has a positive relationship with the dividend policy all of a company as it shown in (Table.1).

Although the generally accepted notion in business literature is that the ownership structure influence on the dividend policy, other studies have reported a negative relationship between the ownership structure and the dividend policy as shown in (Table 1). On the other hand, some studies have found neutral relationships between ownership structure (Institutional Ownership, Foreign Ownership) and dividend policy as shown in (Table.1). However, the results of these studies are limited and cannot be generalized because the sample size is too small. However, the ownership structure is an influential factor in banking policies. One of these policies is dividend policy. Therefore, there are different theories- which are: agency theory and signaling theory) - about this relation.

Agency theory considers one of the oldest theories in business literature (Daily, Dalton, & Rajagopalan, 2003); (Wasserman, 2006). (Jensen & Meckling, 1976) discuss the principles of agency theory for the first time. The concept of agency theory has various definitions but, in its simplest form, represents a conflict of interest between the manager (agent) and the owner (employment). Therefore, dividend policies are depending on the alignment between these parties. However, ownership structures play an important role when dividend policies are investigated (Wiberg D, 2008)

Signaling theory. In simplistic descriptive terms, this theory is useful for describing the behavior when one party (individuals or organizations) have more access to different information rather than other parties. In other words, this theory suggests that there is information asymmetry between parties (managers and stockholders). However, according to (MILLER & ROCK, 1985); (Pettit, 1972) whose point out that even with a lot of internal information owned by internal parties like (Managers) while external parties like (stockholders) do not; the dividend policy plays a vital role to transfer the information relating to future profitability.

Table 1.

Previous studies of the relationship between ownership structure (Ownership Concentration, Institutional Ownership, and Foreign Ownership) and the dividend policy.

Ownership structure	Previous studies
Ownership Concentration and Dividend Policy	<p><u>Positive</u> (Al-Shubiri et al, 2012); (Ramli, 2010); (Shleifer & Vishny, 1997); (La Porta & Shleifer, 1999); (Wallgren, Dividend Policy And Ownership Structure In Swedish Firms, 2006); (Daradkah & Ajlouni, 2013); (Thanatawee, 2014); (Thanatawee, 2013)</p> <p><u>Negative</u> (Maury and Pajuste, 2002); (Crisóstomo & Brandão, 2016) (Thomsen, 2005); (Gugler & Yurtoglu, 2003); (Renneboog & Trojanowski, 2005); (Chkir & Saadi, 2007); (Amoako-Adu, Baulkaran, & Smith, 2009); (Berezinets, Ilina, & Alekseeva, 2014); (Obaidat, 2018)</p> <p><u>Neutral</u> (Kumar, Ownership Structure and Dividend Payout Policy in India. Corporate Governance and Dividend Payout in India, 2003); (Mirzaei, 2012)</p>
Institutional Ownership and Dividend Policy	<p><u>Positive</u> (Manos, 2002); (Abdelsalam, El-Masry, & Elsegini, 2008); (Miko & Kamardin, 2015); (Ullah, Fida, & Khan, 2012); (Al- Gharaibeh, Zurigat, & Al-Harashsheh, 2013); (Grinstein & Michaely, 2005); (Short, Keasey, & Duxbury, 2002); (Short, Zhang, & Keasey, 2002); (Obaidat, 2018)</p> <p><u>Negative</u></p>

	(Kouki & Guizani, 2009); (Han, Lee, & Suk, 1999)
	<u>Neutral</u>
	(Cook & Jeon, 2006) (Balagobei, 2017)
Foreign Ownership and Dividend Policy	<u>Positive</u>
Ullah, H.; Fida, A.; Khan, S.	(Baba, 2009); (Chai, 2010); (Ull121); (Dandago, Farouk, & Muhibudeen, 2015); (Cook & Jeon, 2006); (Al-Nawaiseh, 2013); Le & Le ,2017; Ahmad, 2018.
	<u>Negative</u>
	(Lamet, Sami, & Zhou, 2012); (Al-Najjar & Kilincarslan, 2016); (Glen, Karmokolias, Miller, & Shah, 1995); (Sulong & Nor, 2008)
	<u>Neutral</u>
	(Kumar, Does ownership structure influence firm value? Evidence from India, 2004); (Bogonko, 2013); (Vinh, 2014)

Source: (Author's own, 2020)

2.6 Hofstede's cultural dimensions and ownership structure

Recently, some studies address the culture and corporate governance as a critical factor and how national culture affects the efficiency of corporate governance. (Maher & Andersson, 2000); (Rafiee & Sarabdeen, 2012) show that culture has an impact on the efficacy of corporate governance mechanisms.

(Rafiee & Sarabdeen, 2012) Indicate that the values of the culture form the attitudes of individuals and later shape the behavior. This means it is expected that these cultural values affect the corporate governance mechanisms in the organizations. (Oliveira, 2016) Indicates that solving agency problems vary across countries and it depends on the adoption of corporate governance mechanisms in these cultures. Also, she indicates that it is necessary to take into account culture when designing government systems. (Licht A. N., 2014) Show that governance schemes can help in comparing cultures. Furthermore, as (Vo & Nguyen, 2011) indicates that ownership structures can be forecasting organizational culture.

Few studies in the literature have addressed the relationship between culture and ownership structure such as (Vo & Nguyen, 2011); (Bayero & Bambale, 2017); (De Jong & Semenov, 2006); (Li & Harrison, 2008); (Beracha, Fedenia, & Skibaa, 2014); (Mac-Dermott & Mornah, 2015); (Gleason, Mathur, & Mathur, 2000). However, many studies make comparisons between patterns of ownership such as (De Jong & Semenov, 2006); (Gleason, Mathur, & Mathur, 2000). Regarding local studies related to this issue, there are no empirical studies conduct on Hofstede's cultural dimensions and ownership structure. Hence, this paper will fill this gap.

(Vo & Nguyen, 2011) Examine the effect of ownership structure variations on the organizational culture of the Vietnamese companies. She adopts two different groups of companies, state-owned and privatization companies. Performance orientation, a People orientation, organizational integration, Market orientation are measures of the organizational culture. The study indicates that the persons and market trends in state-owned and privatized companies are different. On the other hand, the study doesn't find any difference between the performance and market trends of these two types of companies. (Gleason, Mathur, & Mathur, 2000) Employ Hofstede's cultural dimensions (1980) to inspect the interrelationship between culture, capital structure, and performance. The study shows that variation in culture due to variation of capital structures. The study recommends some mechanisms induce proper capital structure by increasing the equity in the capital structure.

2.6.1 Hofstede's cultural dimensions and ownership concentration

(De Jong & Semenov, 2006) Examine the influence of culture on ownership structures. The study shows that the variances in the ownership structure associate with variances in values. (Gleason, Mathur, & Mathur, 2000) Confirm this result. The study finds that values effect on ownership concentration. Further, the two cultural dimensions (power Distance and Individualism) influence on ownership concentrated, where the latter may affect the regulatory atmosphere. The study recommends conducting more examination on the corporate governance variables. Current paper covers this issue

by taking into account the other types of the ownership structure, which are the institutional ownership structure and foreign ownership structure.

(Li & Harrison, 2008) Inspect the effect of ownership structure and culture on the size and the structure of the boards. The authors employ the ownership concentration, bank ownership, and state ownership to measure the ownership structure and employ the four Hofstede culture dimensions to measure the culture. Further, the authors employ the size of the board and (CEO) duality to measure the board structure. The study shows that the ownership structure and culture affect the structure and the size of the board in industrial countries.

(Holderness, 2017) Indicate that equitable countries, public company ownership are more concentrated. Once the employees have strong legal rights that means large shareholders are valuable, and this explains the strong relationship between equality and ownership concentration.

2.6.2 Hofstede's cultural dimensions and institutional ownership

(Beracha, Fedenia, & Skibaa, 2014) investigate how intercultural differences affect the frequency of institutional investors trading. The study indicates that cultural differences provide inconsistent information that leads the merchants across different cultural backgrounds to behave differently.

2.6.3 Hofstede's cultural dimensions and foreign ownership

There is a lack of studies on the relationship between culture and ownership structure in emerging markets. (Rafiee & Sarabdeen, 2012) Indicate that these markets are applying their regulations incorrectly which impedes investments. (Licht, Goldschmidt, & Schwartz, 2001) point out that investors in huge institutions prefer to invest in major overseas markets that adopt the principles of corporate governance that are sensitive to culture.

(Mac-Dermott & Mornah, 2015) Examine the effect of culture by using the nine cultural dimensions created by the research program of the effectiveness of global leadership and organizational behavior around the decision to trade or invest in another country. Country and destination profiles are important for each dimension when choosing between trade and FDI.

2.7 Hofstede's cultural dimensions, ownership structure and dividend policy

Many studies addressed the impact of cultural dimensions and corporate governance in the dividend policy. The results are different across cultures of countries.

(Slater, Olson, & Finnegan, 2011) Indicates that culture shapes the values and views of individuals; as a result, this could help in perception of the performance of organizations (Slater, Olson, & Finnegan, 2011). As we mentioned before many studies linked the culture and corporate governance and show that culture associated with agency problems. (Oliveira, 2016) Indicates that solve of agency problems depends on the cultures which vary across countries by the implementation of different mechanisms of corporate governance. (Oliveira, 2016) Points out, that the influence of culture low when corporate governance is at a high level. While (Fauver & McDonald, 2015) point out that culture has low effect on capital structure emerging market. Further, literature uses corporate governance and dividend policy to mitigate agency problems (Oliveira, 2016).

(Bae, Chang, & Kang, 2012) Investigate the relationship between dividend policy, corporate governance, and culture, by using Hofstede's cultural dimensions (uncertainty avoidance, masculinity, and long-term orientation. The study finds that despite the similarity of corporate governance mechanisms in some countries, they pay different dividends. The study shows that in high uncertainty avoidance cultures the higher corporate governance brings higher dividend payouts. On the other hand, the study indicates that the cultural dimensions correlated negatively with dividend policies, high uncertainty avoidance, masculinity, and long-term orientation cultures pay a low dividend.

(Oliveira, 2016) Investigate the effect of corporate governance and culture in dividend policy. The study shows that the implementation of corporate governance differs across the countries, as well as the solutions for agency problems. Hence culture may affect corporate governance and dividend policy. Emerging countries are interested in corporate governance more than cultural elements. Therefore, national culture is influencing less in dividend payout compared with developed countries. The study uses the cultural dimensions (uncertainty avoidance, masculinity, and indulgence) to measure the culture and, ASSET4 Corporate Governance Performance Index, to measure corporate governance. The study shows that higher corporate governance at firm-level paying higher dividends. Furthermore, high

masculinity and uncertainty avoidance culture characterized by a low dividend payout ratio. On the contrary, high indulgence cultures have a higher dividend payout ratio.

In this paper, the researchers answer the primary question of how Hofstede's culture dimensions and ownership structure as a proxy of corporate governance impact the dividends policy in the banking sector.

Most studies above reveal that there is a negative relationship between Power distance and the dividend policy e.g. (Oliveira, 2016); (Zheng & Ashraf, 2014); (Naeem & Khurram, 2019), and there is a negative relationship between Masculinity and the dividend policy e.g. (Oliveira, 2016); (Bae, Chang, & Kang, 2012). Contrasting, (Zheng & Ashraf, 2014) find a positive relationship between Masculinity and the dividend policy. Regarding Individualism correlated positively with dividend policy e.g. (Zheng & Ashraf, 2014); (Bennink, 2018); (Naeem & Khurram, 2019); (Chang, Chang, & Dutta, 2019). Further, there is a negative relationship between Uncertainty avoidance and the dividend policy e.g. (Bae, Chang, & Kang, 2012); (Zheng & Ashraf, 2014); (Bennink, 2018); (Chang, Chang, & Dutta, 2019); (Naeem & Khurram, 2019). Long-term orientation correlated negatively with dividend policy e.g. (Bae, Chang, & Kang, 2012); (Zheng & Ashraf, 2014). Lastly, Indulgence vs. restraint correlated positively with dividend policy e.g. (Oliveira, 2016); (Zheng & Ashraf, 2014). This paper explores the nature of the relationship between Hofstede's culture dimensions and dividends policy in the banking sector to prove or deny these results.

According to the relationship between culture and ownership structure in dividend policy, the literature shows different results. But in general, most of these studies confirm that corporate governance and culture are interconnected with dividend policies such as (Oliveira, 2016); (Bae, Chang, & Kang, 2012) whose show that masculinity and uncertainty avoidance positively correlated with dividend payout ratio when corporate governance is good. Further, (Oliveira, 2016) finds that Indulgence negatively correlated with dividend payout when corporate governance is good. (Bae, Chang, & Kang, 2012) find that robust investor protection as a proxy of corporate governance leads to increase dividend payouts in high (uncertainty avoiding and masculinity), cultures.

3. Research methods

The methodology section consists of the sample size, data collection sources, different model use, empirical result and the definition of the different variables used in the study and their measurements.

3.1 Data collection

The primary goal of our paper is to verify the impact of Hofstede's Cultural Dimensions and Ownership Structure on the Dividend policy of the Insurance and Banking Sectors in Jordan. So, we use 16 banks (Table.2) that belong to the central bank of Jordan in Jordan and 23 insurance (Table.2) companies throughout the year 2019. Whereby, we need financial, governance and cultural data. The Financial data collected through the websites of the Securities Depository Center, the central bank of Jordan in Jordan throughout the year 2019. The Governance data collected from the annual reports for each company. Also, Hofstede's Cultural data collected from a questionnaire³.

Table 2.

List of banks and insurance companies

Serial	Company No.	Reuters Code	Company Name
1	111001	JOIB	Jordan Islamic Bank
2	111002	JOKB	Jordan Kuwait Bank
3	111003	JCBK	Jordan Commercial Bank
4	111004	THBK	The Housing Bank For Trade & Finance
5	111005	AJIB	Arab Jordan Investment Bank
6	111006	SIIB	Safwa Islamic Bank
7	111007	UBSI	Bank Al Etihad
8	111009	ABCO	Arab Banking Corporation (Jordan)
9	111014	INVB	Invest Bank
10	111017	EXFB	Capital Bank Of Jordan
11	111020	SGBJ	Societe Generale De Banque (Jordanie)
12	111021	CABK	Cairo Amman Bank
13	111022	BOJX	Bank Of Jordan
14	111033	AHLI	Jordan Ahli Bank
15	111201	IIAB	Islamic International Arab Bank
16	113023	ARBK	Arab Bank

List of banks list of insurance companies

Serial	Company No.	Reuters Code	Company Name
1	121002	MEIN	Middle East Insurance
2	121003	AAIN	Al-njar Al-arabi Insurance
3	121004	JOIN	Jordan Insurance
4	121005	AICJ	Arabia Insurance Company - Jordan
5	121006	DICL	Delta Insurance
6	121007	JERY	Jerusalem Insurance
7	121008	UNIN	United Insurance
8	121009	JOFR	Jordan French Insurance
9	121010	HOLI	Holy Land Insurance
10	121013	ARSI	Al-manara Insurance
11	121014	AOIC	Arab Orient Insurance
12	121015	SFIC	Al Safwa Insurance Public Limited Company
13	121017	ARIN	Arab Life & Accident Insurance
14	121018	PHIN	Philadelphia Insurance
15	121020	AUII	Arab Union International Insurance
16	121021	NAAI	The National Insurance
17	121022	JIDC	Jordan International Insurance
18	121023	AMMI	Euro Arab Insurance Group
19	121025	TIIC	The Islamic Insurance
20	121026	ARAS	The Arab Assurers Insurance
21	121027	ARGR	Arab Jordanian Insurance Group
22	121032	MDGF	The Mediterranean & Gulf Insurance (Jordan)
23	121034	FINV	First Insurance

³ https://docs.google.com/forms/d/e/1FAIpQLScrK3ORDdSv_FZpdKm8t1cCtRfu_a5ekYRHl9E_kqvp4bqng/viewform?usp=sf_link

Source: Securities Depository Center (2020)

3.2 Empirical model

Based on the literature, the foregoing discussion provides the context for one important hypothesis that tracks the Impacts of Hofstede’s Cultural Dimensions and Ownership Structure on Dividend policy, in line with the objectives; the general Null Hypothesis formulate as follows:

$$Divd = \alpha + \beta_1(PDI) + \beta_2(IDV) + \beta_3(MAS) + \beta_4(UAI) + \beta_5(LOT) + \beta_6(IND) + \beta_7(\%5FL) + \beta_8(\%FO) + \beta_9(\%INS) + \epsilon.$$

Where:

Divd: Dividend

PDI: Power Distance Index

IDV: Individualism versus collectivism

MAS: Masculinity versus Femininity

UAI: Uncertainty Avoidance index

variables (explanatory variables)

LOT: Long-versus Short- Term Orientation ϵ :Residual

IND: Indulgence versus Restraint

5FL: Ownership Concentration

FO:Foreign Ownership

INS: Institutional Ownership

α :Is the constant

β :The coefficient of the independent

Table 3.

Proxy Variables and their Measurements

Abbreviation	Description	Measurement	Empirical Studies
Independent	Divd Dividend Payout Ratio	The ratio of the dividends per share to the earnings per share. $\text{Dividends Payout Ratio} = \frac{\text{Dividends Per Share}}{\text{Earnings Per Share}}$	(Aivazian, Booth, & Cleary, 2003) (Shao, Kwok, & Guedhami, 2010) (Jiraporn, Kim, & Kim, 2011) (Bae, Chang, & Kang, 2012)
Dependent Hofstede’s cultural dimensions	PDI Power Distance Index	The Power Distance may range between (0-100), when it is 0 a low Power Distance and 100 a high Power Distance	(Hofstede, Hofstede, & Minkov, 2010)
	IDV Individualism versus Collectivism	Individualism vs. collectivism may range between (0-100). If the score is (0) low scores that means a collective culture, and if it is high scores (100) that means an individualist culture	(Hofstede, Hofstede, & Minkov, 2010)
	MAS Masculinity versus Femininity	Masculinity versus Femininity may range between (0-100). If the score is (0) low scores that means feminine society and if it is (100) that means the society is masculine	(Hofstede, Hofstede, & Minkov, 2010)
	UAI Uncertainty Avoidance Index	Uncertainty avoidance may range between (0-100). If the score is (0) low scores that means the uncertainty avoidance culture is strong, and if it is high scores (100) that means the uncertainty avoidance culture is weak	(Hofstede, Hofstede, & Minkov, 2010)
LOT	Long- Versus Short-Term Orientation	Long- Versus Short-Term Orientation may range between (0-100). If the score is	(Hofstede, Hofstede, & Minkov, 2010)

			(0) low scores that means the Long-Term Orientation culture, and if it is high scores (100) that means Short-Term Orientation culture.	
	IND	Indulgence versus Restraint	Indulgence versus Restraint may range between (0-100). If the score is (0) low scores that means Restrain culture, and if it is high scores (100) that means Indulgence culture.	(Hofstede, Hofstede, & Minkov, 2010)
Dependent Classification Ownership structure	5L	Ownership Concentration	Fraction of shares owned by the five largest shareholder	(AL-Rawash & Alzeaideen, 2014)
	FL	Foreign ownership	Fraction of shares owned by foreign shareholder	(Anisa & Allam, 2018); (Saseela, 2017)
	INS	Institutional ownership	Fraction of shares owned by the institutional shareholder	(AL-Rawash & Alzeaideen, 2014); (Anisa & Allam, 2018); (Saseela, 2017)

Source: (Author’s own, 2020)

3.3 Empirical result

The analysis section consists of the descriptive statistics of the variables of the study as the first section; the second section consists of the correlation analysis of Hofstede’s cultural dimensions and the dividend policy (Spearman correlation). As well as, between ownership structure and the dividend policy (Pearson correlation) and the last section include the linear regression for each hypothesis.

Samples Characteristics:

The demographic characteristics of the 66 respondents shown in (Table.4). This table shows 58 percent of the respondents are female and only 42 percent are male. The majority of the respondents with 71 percent are age (30-50 years old) about 23 percent are less than 30 years old, 6 percent are above 50 years old.

Furthermore, most respondents in the companies have bachelor degrees and master's degrees with 44 percent and 42 percent respectively. While a PhD degree with around 11 percent and the diploma degree with 3 percent. In terms of the number of experiences, the majority of respondents are between 5-10 years (37.9 percent) followed by (more than 10 years) (36.4 percent), between (3-5) (16.7 per cent) and (less than 3 years) (9.1 percent).

Table 4.

The descriptive statistics for qualitative variables; for the year 2019

sex	Frequency	Valid percentage	Age	Frequency	Valid percentage
Male	28	42.4	More than 50	4	6.1
female	38	57.6	Between 30-50	47	71.2
			Less than 30	15	22.7
Number of experience	Frequen cy	Valid percentage	Certificates	Frequency	Valid percentage
More than 10	24	36.4	PHD	7	10.6
Between 5-10	25	37.9	Master	28	42.4
Between 3-5	11	16.7	Bachelor	29	43.9
Less than 3	6	9.1	Diploma	2	3

The descriptive statistics related to qualitative variables shown in (Table.5) as given below.

These statistics shows the nature of the data i.e. Mean, Standard Deviation, Minimum, Maximum and No. of observations. Number of observations is 39 for each quantitative variable. The mean value of

Foreign Ownership is 9.7 with Standard Deviation of 17.59. Minimum and maximum of Foreign Ownership is 0.00 and 86.25, respectively. The Concentrated Ownership (Five largest ownership) has a highest mean value of 97.6 among all other quantitative variables with standard deviation of 5.43, where minimum and maximum values are 71.43 and 100. The mean value of Institutional Ownership is 4.31 with Standard Deviation of 6.67. Minimum and maximum of Institutional Ownership is 0.00 and 21.35, respectively. The mean value of dividend policy (payout ratio) is 62.11 and the standard deviation of dividend policy is also higher around 41.

Table 5.

The descriptive statistics for quantitative variables; for the year 2019

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
FO	39	.00	86.25	9.7258	17.58978	2.881	.378
FL	39	71.43	100.00	97.6000	5.43498	-3.521	.378
INS	39	.00	21.35	4.3164	6.67051	1.483	.378
DIVD	39	.00	203.91	62.1140	40.92233	.933	.378
Valid N (listwise)	39						

The results of the cultural dimensions of Jordanian listed companies as shown in (Table.6) are similar to the level of estimated values in Hofstede's insights website⁴. Thus, the highest mean is power distance (3.88), followed by long-term (3.86), collective (3.70), indulgence (3.47), strong uncertainty avoidance (3.36). Moreover, the lowest mean is (3.12) for the Feminine/Masculine 5 dimension and the result shows that it is neutral, which means that Jordan is considered as a Feminine and Masculine society equally.

Table 6.

Weighted average and standard deviation for all responses on Hofstede's cultural dimensions

		1	2	3	4	5	Means	SD	Result
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree			
Q1 PDI	Frequency	4	9	0	31	22	3.88	1.20	Agree
	Valid percent	6.1	13.6	0	47	33.3			
Q2 UAI	Frequency	7	19	8	23	9	3.12	1.27	Neutral
	Valid percent	10.6	28.8	12.1	34.8	9			
Q3 LOT	Frequency	9	0	7	36	14	3.70	1.21	Agree
	Valid percent	13.6	0	10.6	54.5	21.2			
Q4 IDV	Frequency	5	15	4	35	7	3.36	1.71	Agree
	Valid percent	7.6	22.7	6.1	53	10.6			
Q5 MAS	Frequency	2	8	6	31	19	3.86	1.06	Agree
	Valid percent	3	12.1	9.1	47	28.8			
Q6 INS	Frequency	6	14	1	33	12	3.47	1.27	Agree
	Valid percent	9.1	21.2	1.5	50	18.2			

(Table.7) shows the result of spearman's correlation analysis. This result demonstrates at a significant level .05 (2 tails) five dimensions of Hofstede's cultural (Power Distance Index, Individualism versus Collectivism, Masculinity versus Femininity, Uncertainty Avoidance Index and Long- Versus Short-

⁴ <https://www.hofstede-insights.com/country/jordan/>

Term Orientation.) have not influenced on dividend policy of Jordanian listed companies. However, only Indulgence versus Restraint positively influenced on dividend policy whereas, the (Table.8) shows the result of Pearson correlation analysis between ownership structure and dividend policy. The result demonstrates at a significant level .05 and .01 (1 tails) the three classifications of ownership (Foreign ownership, Ownership Concentration and Institutional ownership) have not influenced on dividend policy.

Table 7.

Spearman's correlation analysis

	Divd	PDI	UAI	LOT	IDV	MAS	IND
PDI	-.265	1					
UAI	.207	-.043	1				
LOT	-.033	-.242*	.077	1			
IDV	.205	-.248*	.082	.217*	1		
MAS	-.082	-.169	.004	.167	.11	1	
IND	.304*	-.222*	-.001	.289*	.334**	.187	1

* Correlation is significant at .05 levels

** Correlation is significant at .02 levels

Table 8.

Pearson correlation analysis

	Divd	FO	5FL	INS
FO	.102	1		
5FL	.200	.145	1	
INS	.008	-.113	.217	1

* Correlation is significant at .05 levels

** Correlation is significant at .02 levels

The first model and hypothesis:

$$\text{Divd} = \alpha + \beta_1(\text{PDI}) + \beta_2(\text{IDV}) + \beta_3(\text{MAS}) + \beta_4(\text{UAI}) + \beta_5(\text{LOT}) + \beta_6(\text{IND}) + \epsilon.$$

H01: There is no significant effect of Hofstede's Cultural Dimensions on Dividend policy in the Insurance and Banking Sectors in Jordan.

Table 9.

Regression analysis result OLS

Variables	Coefficient	t- test	Probability
PDI	-.246	-1.394	.174
IDV	.144	.877	.388
MAS	-.162	-.993	.329
UAI	.150	.877	.388
LOT	.040	.242	.811
IND	.323	1.702	.100
Certificate	-.158	-.933	.359
Number of experience	-.188	-.882	.386
Sex	.406	2.134	.042
Age	.296	1.460	.155
R – square		.382	
F- test		1.734	
Probability		1.22	

PDI: Power Distance Index; IDV: Individualism versus Collectivism; MAS: Masculinity versus Femininity; UAI: Uncertainty Avoidance Index; LOT: Long- Versus Short-Term Orientation; IND: Indulgence versus Restraint.

* Correlation is significant at .05 levels

** Correlation is significant at .02 levels

As shown in (Table.9) the first hypothesis; isn't statistically positive significant at both levels (.05, .01). So, we accept the null hypothesis and reject the alternative hypothesis. In other words, there is no

statistically significant relationship between Hofstede's Cultural Dimensions and dividend policy in the Insurance and Banking Sectors in Jordan.

On the contrary to this result, most studies show that there is a relationship between Hofstede culture dimension and dividend policy. (Zheng & Ashraf, 2014) Find that there is a negative relationship between high uncertainty avoidance, power distance, and long-term orientation and dividends payout. On the other hand, there is a positive relationship between masculinity, individualism and indulgence and dividends payout. (Bennink, 2018) shows that uncertainty avoidance negatively correlated with dividend payout. Individualism positively correlated with cash dividend payout. (Bae, Chang, & Kang, 2012) Indicate that the cultural dimensions correlated negatively with dividend policies, high uncertainty avoidance, masculinity, and long-term orientation cultures pay a low dividend. (Oliveira, 2016) Shows that high masculinity and uncertainty avoidance culture characterized by a low dividend payout ratio. While high indulgence cultures have a higher dividend payout ratio. We can attribute the interpretation of the results of the current study to the fact that the majority of these studies have conducted in more than one foreign country, as it is known that the culture of foreign countries differs from the culture of Arab countries. In addition, there are no studies that have measured the impact of Hofstede culture dimension and dividend policy at the level of Arab countries or in Jordan. Therefore, this may justify the results of the current study.

The second model and hypothesis:

$$\text{Divd} = \alpha + \beta_1(\%5\text{FL}) + \beta_2(\%\text{FO}) + \beta_3(\%\text{INA}) + \epsilon.$$

H02: There is no significant effect of Ownership Structure on Dividend policy in the Insurance and Banking Sectors in Jordan.

Table 10.

Regression analysis result OLS

Variables	Coefficient	t- test	Probability
FO	.071	.422	.676
5FL	.195	1.136	.264
INS	-.026	-.152	.880
R – square		.046	
F- test		.564	
Probability		.643	

FO: Foreign ownership; 5FL: Ownership Concentration; INS: Institutional ownership

* Correlation is significant at .05 levels

** Correlation is significant at .02 levels

As shown in (Table.10) the second hypothesis; isn't statistically positive significant at both levels (.05, .01). So, we accept the null hypothesis and reject the alternative hypothesis. In other words, there is no statistically significant relationship between the ownership structure and dividend policy in the Insurance and Banking Sectors in Jordan. These results are consistent with (Mirzaei, 2012) who finds that there isn't a meaningful relationship between the amount of Ownership Concentration and dividend policy. As well as, (Kumar, 2004) finds that ownership structure does not affect dividend payout policy.

4. Conclusion and recommendation

Many studies have conducted on the impact of cultural factors and ownership structure in financial policies for many years. The current paper analyzes the impact of Hofstede's cultural dimensions and ownership structure on the dividend policy, for a sample of 16 Banks and 23 insurance companies in Jordan. On one hand, we analyze the relationship between six Hofstede's cultural Dimensions and dividend payout ratio. And on the other hand, we analyze the relationship between the Ownership Structure and dividend payout ratio. We show that six Hofstede's cultural Dimensions insignificant relationship with Dividend policy. Also, the results show that Foreign Ownership, Ownership Concentration and Institutional ownership Structure insignificant relationship with Dividend policy.

Based on the results of the paper, the researchers present several recommendations. Firstly, we recommend Re-Do this study by taking other classification of ownership structure such as (larger ownership structure, family ownership structure, and individual ownership structure). Secondly, we recommend researchers to study other market sectors such as (Industry and Services) hence each sector

has its distinctive characteristics. Furthermore, the study uses cultural variables that belong to Hofstede's cultural dimensions as the literature has tested these dimensions widely. However, there are different models in the literature for measuring culture, such as (Schwartz and Hofstede) models. Although these models are different, the culture measured through the list of values held by different cultural groups. And as it is noted there are no studies that have conducted in Jordan belonging to Hofstede or Schwartz. Therefore, the researchers recommend studying the impact of the cultural dimensions on dividends policy by using the six cultural dimensions of Schwartz's (1994). Also, there is a new cultural dimension that has developed recently that is the seventh cultural dimension of Hofstede (Monumentalism/Modesty), thereby serving as an input and a motivation for research in the future.

Finally, we recommend studying the impact of culture on dividend policy at the level of Arab countries, similar to foreign studies to support or refute the results of the current study.

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