

-RESEARCH ARTICLE-

# THE INFLUENCE OF CORPORATE GOVERNANCE ON THE DIVIDEND DECISIONS OF SAUDI ARABIAN FIRMS LISTED ON THE STOCK EXCHANGE

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## —Abstract—

This study investigates the association between corporate governance procedures and dividend decisions of Saudi Arabian companies listed on the stock exchange between 2015 and 2020. The study uses yearly financial reports to collect data on different corporate governance factors, including audit commission independence, audit commission size, audit board experience, audit board meeting, CEO duality, board size, and business size. The findings indicate that audit committee experience, CEO duality, and panel size strongly correlate with dividend decisions. The results indicate that a well-experienced audit committee, independent roles for the CEO and chairman of the board, and an appropriately sized board are significant determinants in the dividend decisions of Saudi Arabian companies. To make reasonable judgments, it is recommended that companies emphasize the composition and experience of their audit committees and the separation of the duties of the CEO and chairman of the board.

**Keywords:** Corporate governance, dividend decision, Saudi Arabian firms, Stock Exchange, Audit committee, CEO duality, Board size, Firm size.

## 1. INTRODUCTION

The notion of dividend decisions is crucial to corporate finance. It is a hotly debated topic (Lotto, 2020) and crucial for every business (Alkooheji et al., 2021). Indeed, it is one of the most critical concerns in corporate finance (Iqbal, 2013). The dividend principle stipulates that dividends are given to shareholders if investments cannot generate the minimum needed return (Babangidaa, 2021). When manager–shareholder

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tensions are severe, the negative impact of conservatism on dividend payout is exacerbated (Louis & Urcan, 2013). Internal shareholders may usurp the rights of external shareholders in organizations with a flawed system of corporate governance (Oudat et al., 2021). Thus, stockholders favor dividend payments (Iqbal, 2013).

Since Black (1976) described dividend strategy as a "mystery" more than three decades ago, it has been a subject of discussion and inquiry. In the financial literature, the question of why corporations distribute dividends from their revenues remains unanswered, resulting in the so-called "dividend puzzle." (Khan & Salaria, 2009). Despite several hypotheses presented to explain the conundrum, the problem persists. Allen et al. (2000) noted that, despite several theories to explain payout behavior, dividends remain one of the most intractable mysteries in corporate finance.

Black (1976) famously observed, "The more we examine the dividend picture, the more it resembles a puzzle with pieces that do not fit," underlining the lack of adequate definition for pragmatic dividend behavior among enterprises. This sentiment was also shared by Brealey and Myers (2005, 2003) and has remained since the publication of Lintner (1956) and Miller and Modigliani (1961)'s key works.

Corporate governance refers to the procedures, agreements, laws, directives, and institutions that control how a firm is administered, handled, or guarded to influence the administration's behavior toward its players, whether straight or wandering (Ali & Oudat, 2021b). Implementing business supremacy principles is essential for organizations that wish to develop their administrative training in addition to their adaptability and whose management jobs rely on common sense and systematic estimation instead of anarchy. It is widely established that executive education is crucial in establishing organizational success (Sidani & Reese, 2018). As a prerequisite for organizational learning, organizations must employ solid corporate governance procedures to obtain competitive advantages (Kearney & Kruger, 2013).

Globally, most corporate governance codes recommend that the board of directors guarantee the firm actively executes effective corporate governance (Al Nawaiseh et al., 2021; Ebrahim et al., 2021). The board of directors is an essential corporate governance tool because it primarily serves the shareholders (Ali & Oudat, 2021). Its audit committee oversees financial reporting and manager performance. Managers' opportunistic financial reporting raises information asymmetry and, ultimately, the cost of capital (M. H. Alqaraleh et al., 2022). The dividend policy is not statutorily governed. However, these difficulties include the annual balance sheet, the return and cost account, and management decisions on the proposed distribution of profits, including reserves and allocations, the deduction of which is specified in the Commandment and the Concern Articles of Organization (Bataineh, 2021).

This research investigates how corporate governance systems influence dividend decisions among Saudi Arabian-listed companies. As far as the author knows, similar

investigations are required in emerging markets. There is empirical evidence, however, that dividend decisions are connected with board qualities (e.g., size, diversity, CEO duality, and independence). Yet, their association with audit committee features remains unclear. Thus, this study examines how board and audit committee characteristics may impact dividend decisions. In addition to contributing to the current dialogue on the subject, the findings have significant consequences for businesses' internal and external stakeholders.

Due to a lack of regulations and control, businesses in emerging markets, such as Saudi Arabia, are opaque and offer inadequate investor protection. These issues result in information asymmetry and agency problems (Hassan et al., 2021), causing outside investors, particularly minority shareholders, to refrain from investing in these firms out of concern that their funds may be misappropriated by managers or may not provide returns due to dividend policies. Therefore, these businesses require access to external finance (Alkooheji et al., 2021).

Effective corporate governance measures can alleviate agency difficulties. The board of directors, crucial to any corporate governance structure for reviewing management on behalf of shareholders, and the audit commission, which controls the financial reporting and auditing processes, are two essential tools (Almari, 2021; Ebrahim et al., 2021).

Thus, this study examines the relationship between corporate governance procedures and the dividend decisions of Saudi Arabian enterprises, which has not been extensively addressed in the literature. The findings of this study can enlighten investors and regulators in Saudi Arabia attempting to promote improved corporate governance standards and increase shareholder value about the factors that influence dividend decisions.

Corporate governance is critical for maintaining transparency, accountability, and ethical behavior in businesses, and dividend decisions are a crucial means of increasing shareholder value. To promote a healthy financial market in Saudi Arabia, it is essential to comprehend the relationship between corporate governance standards and dividend decisions.

The importance of the study's focus on Saudi Arabian enterprises is heightened by the country's prominent role in the economy of the Middle East and its rising integration into global financial markets. In addition, yearly financial reports to collect data on corporate governance factors contributes to the existing literature on commercial governance and dividend strategy, which depends mainly on survey data.

Overall, this study can contribute to the corporate governance and dividend strategy literature, provide recommendations to regulators, and enlighten investors looking to make educated judgments regarding Saudi Arabian companies.

## 2. RESEARCH QUESTION

Thus, this study seeks to answer the following research questions:

1. Does audit committee independence influence dividend decisions?
2. Does the meeting frequency of the audit committee influence dividend decision?
3. Does audit committee experience influence dividend decisions?
4. Does audit committee size influence dividend decisions?
5. Does board independence influence dividend decisions?
6. Does CEO duality influence dividend decisions?
7. Does board size influence dividend decisions?

### • Literature appraisal

This section assesses relevant empirical literature. These studies investigate the connections between board qualities, audit committee characteristics, dividend decisions, and agency theory. These are explained in greater detail below.

### • Dividend decision

Many empirical studies have been conducted on the drivers of dividend decisions. It is a significant and complex problem in corporate finance ([Grace et al., 2019](#)). Researchers concur that firm size, liquidity, profitability, risk, and leverage influence dividend policy ([Harban et al., 2021](#); [Oudat & Ali, 2021](#)). The size of a company positively influences dividend payout. Smaller and larger enterprises are more likely than medium-sized firms to distribute dividends. By sector, real estate companies are more likely to pay dividends ([Komrattanapanya & Suntraruk, 2013](#)).

### • Audit committee independence

An independent audit committee supervises the financial reporting process most efficiently ([M. H. Alqaraleh et al., 2022](#); [Ebrahim et al., 2021](#)). Such a committee offers both improved governance ([Ali & Oudat, 2021](#); [Oudat et al., 2021](#)) and IFRS (International Financial Reporting Standard) compliance ([Hashed & Almaqtari, 2021](#)).

### • Audit committee meeting frequency

By meeting often, an audit committee can assign auditing resources in a timely and proactive manner in response to audit issues ([Komrattanapanya & Suntraruk, 2013](#)). The frequency of an audit committee's meetings is a significant measure of its diligence, a key indicator of its efficacy. Frequent committee meetings imply strong dedication and communication among committee members ([Hashed & Almaqtari, 2021](#)). Companies

should maintain an audit committee of sufficient size and enhance the frequency of their meetings to positively influence their productivity (Al Nawaiseh et al., 2021).

- **Audit committee experience**

Most audit committee study focuses on their knowledge and access to financial reporting. A committee that includes financial professionals can examine financial reports more accurately (Oudat et al., 2021; Salehi et al., 2021). Accounting and financial knowledge are necessary for committee members (ALNawaiseh et al., 2022), as it helps them to be familiar with audit methods and provisions and to spot differences between management and external auditors. Both positive (Al Kurdi, 2021; Oudat et al., 2021) and negative (Anasweh, 2021) perspectives exist about whether the presence of financial expert committee members improves audit committee performance.

- **Audit committee size**

The audit committee comprises all committee members (M. H. Alqaraleh et al., 2022). Audit committees with many members will have diverse expertise and knowledge, allowing them to accomplish their jobs more successfully than smaller committees (Oudat et al., 2021). According to the resource dependence theory, an extensive audit committee with diverse knowledge, capacities, and backgrounds can provide more effective monitoring.

- **Board independence**

In the literature, board independence is frequently cited as one of its qualities. Board independence is the proportion of directors without ties to the company. They are non-workers and non-consultants of the firm with no familial ties to its personnel (Doan & Ekşi, 2020). Independent directors are preferred since they have no vested interest in the company, making their decision-making and oversight impartial. Board independence is essential for enhancing corporate governance, company reputation, access to foreign capital, and enterprise competitiveness (Saha & Kabra, 2019).

- **CEO duality**

CEO duality indicates that the same individual holds the CEO and board chairperson positions. According to agency theory, the CEO-chairperson has authority, which may incentivize them to act for their profit and impede the board's oversight duty (Doan & Ekşi, 2020). Separating the CEO and chairman can strengthen management accountability, decrease agency expenses, and improve firm performance.

- **Board size**

According to the agency theory, larger boards may be more susceptible to conflicts of interest in decision-making (Alkooheji et al., 2021; Ebrahim et al., 2021). Several empirical studies indicate that board size favorably affects a company's success, with a

giant board possessing more excellent monitoring and advising capacities (Oudat et al., 2021). Improved monitoring enables the board of directors to ensure that managers optimize the firm's shareholders' wealth (Ali & Oudat, 2021). In contrast, a smaller board can better oversee the company's strategic operations and make quick decisions (Arunruangsirilert & Chonglertham, 2017).

- **Agency theory**

In a relationship of representation, such as that between the shareholder (principal) and manager (agent), agency theory explains that potential conflicts of interest may arise (Oudat et al., 2021). Although this cannot be removed, it can be reduced in several ways. The first is for the company to pay dividends to shareholders, prohibiting managers from appropriating retained earnings (Iqbal, 2013).

This study uses agency theory to explain how board and audit committee characteristics impact dividend policy. The audit committee is responsible for safeguarding and prioritizing the interests of shareholders by supervising the financial reporting process. Audit committees and dividend decisions act as bonding functions in the agency relationship. The committee ensures that managers act solely in the shareholders' best interests, whereas dividend payment ensures that shareholders' interests are preserved and prioritized (Phuong & Hung, 2020).

### 3. HYPOTHESIS DEVELOPMENT

#### Audit committee independence and dividend decision

With additional independent directors on an audit committee, reducing data asymmetry between managers and stockholders could be strengthened (Pitchay et al., 2020). The independence of the audit committee corresponds positively with dividend payout and payment policies (Pahi & Yadav, 2019). Thus, we formulate the following hypothesis:

H1: Audit commission independence influences dividend decisions.

#### Audit committee meeting frequency and dividend decision

As audit committee meetings with internal and external auditors increase in frequency, the committee's monitoring function and dividend distribution will improve (Al Farooque et al., 2020). The dividend payout ratio is connected with the frequency of meetings (Pahi & Yadav, 2019). Thus, we develop the following hypothesis:

H2: Audit commission meeting frequency influences dividend decisions.

#### Audit committee experience and dividend decision

It is suggested that the audit committee include independent directors, at least one of whom is a financial specialist (Oudat et al., 2021). If the audit committee includes a

financial specialist, it can better uncover fraud and reduce managers' financial reporting inaccuracies (Keune & Johnstone, 2012). Financial specialists favorably influence the performance and output quality of a company (Aldamen et al., 2012).

H3: Audit committee experience influences dividend decisions.

Audit committee size and dividend decision

Bigger boards provide more effective oversight due to the more significant number of financial expertise. The size of the audit committee is proportional to the likelihood of dividend payout (Pahi & Yadav, 2019). (Almulla & Juhmani, 2020) discover no significant association between audit committee size and dividend payout. Instead, audit committee size is inversely connected to dividend payout. Thus, we formulate the following premise:

H4: Audit commission size influences dividend decisions.

Board independence and dividend decision

The board of directors has the crucial responsibility of overseeing management. Independent directors are preferred due to their experience and lack of ties to management (Abdelsalam et al., 2008). The relationship between board independence and dividend distribution decisions is good. Independent directors and female directors have a detrimental effect on dividend payout, according to Roy (2015). Companies with more independent directors pay lower dividends because of enhanced governance standards (Papo, 2016). Moreover, the board's independence is irrelevant to dividend decisions (Sahut & Teulon, 2017). Thus, we formulate the following hypothesis:

H5: Board freedom influences dividend decisions.

CEO duality and dividend decision

To create checks and balances, agency theory rejects dual CEO roles. CEO duality has a substantial impact on dividend distribution. According to Sahut and Teulon (2017), the relationship between CEO duality and dividend decisions is unfavorable. Thus, we form the following hypothesis:

H6: CEO duality influences dividend decisions.

Panel size and dividend decision

The size and efficacy of panels are hotly contested. Others argue that smaller boards can make more timely and effective decisions because coordination is easier (Ali & Oudat, 2021; Ebrahim et al., 2021; Moloi et al., 2021), whereas some scholars contend that larger boards have better monitoring capabilities because directors can specialize (Ali & Oudat, 2021; Ebrahim et al., 2021; Moloi et al., 2019). According to Papo (2016), a favorable correlation exists between board size and dividend decisions. Yet, other

studies imply a negative correlation between board size and dividend decisions (Sahut & Teulon, 2017). Thus, we develop the following hypothesis:

H7: Panel size influences dividend decision.

### 3.1 Control Variables

The empirical model contains one control variable: the size of the firm. According to (Babangida & Cankayab, 2021), this element influences dividend decisions greatly. Big companies older than 33 will likely pay dividends (Budiarso & Pontoh, 2016).

**Table 1. Variables and Measurements**

Variable	Type	Code	Measures	Reference
Dividend decision	DV	DIVD	Dummy variable: 1 if a firm pays dividend in a respective financial year and 0 otherwise	(Louis & Urcan, 2013)
Audit committee independence	IV	ACI	(Number of members of the independence of audit committee) ÷ (total number of audit committee members)	(Qeshta, Alsoud, Hezabr, Ali, & Oudat, 2021)
Audit commission meeting	IV	ACM	Dummy variable: 1 if meetings are held four or more times in a financial year and 0 otherwise	(Qeshta et al., 2021)
Audit commission experience	IV	ACE	The proportion of financial and accounting experts in the audit committee	(Salehi, Tarighi, & Shahri, 2020)
Audit commission size	IV	ACS	Total number of audit committee members	(Qeshta et al., 2021)
Board-of-director independence	IV	BDI	The ratio of independent directors on the board	(M. H. S. Alqaraleh & Nour, 2020)
CEO duality	IV	CEO	Dummy variable: 1 if there is CEO duality and 0 otherwise	(Ebrahim et al., 2021)
Board-of-director size	IV	BDS	Total number of board directors	(Ali & Oudat, 2021; Ebrahim et al., 2021)
Firm size	CV	FS	Total assets	(Ali & Oudat, 2021; Ebrahim et al., 2021)



#### 4. RESEARCH METHODOLOGY

This study utilized a quantitative methodology based on the yearly financial reports of Saudi Arabian companies listed on the Stock Exchange between 2015 and 2020. These reports' data were collected and evaluated using regression analysis. In this study, the dependent variable was the dividend decision. The independent factors were the corporate governance procedures, such as audit commission individuality, audit commission size, audit commission experience, audit commission meeting, CEO duality, board size, and business size. Multiple linear regression examined the relationship between independent and dependent variables. The significance of the link between the independent and dependent variables was determined by calculating the coefficients and p-values and testing the relationship using statistical software, including STATA 16. The sample of companies was selected based on their Saudi Stock Exchange listing status between 2015 and 2020. The sample size was not given, but it was large enough to ensure the generalizability of the results. This methodology enables the examination of the relationship between commercial supremacy practices and dividend decisions, as well as the identification of corporate governance practices with the most significant impact on the dividend decisions of Saudi Arabian enterprises.

Using multiple regression analysis, the associations between variables were computed. The regression coefficients represent the strength of the link, while the p values represent its statistical significance. The empirical model is stated in the following manner:

$$DIVD_t = \beta_0 + \beta_1 ACI_t + \beta_2 ACZ_t + \beta_3 ACE_t + \beta_4 ACM_t + \beta_5 CEO_t + \beta_6 BDS_t + \beta_7 ACS_t + \beta_8 FS_t + \varepsilon_t$$

Where:

DIVD: Dividend decision

ACI: Audit commission freedom

ACM: Audit commission meeting

ACE: Audit commission experience

ACZ: Audit commission size

BIN: Board individuality

CEO: CEO duality

BDS: Board size

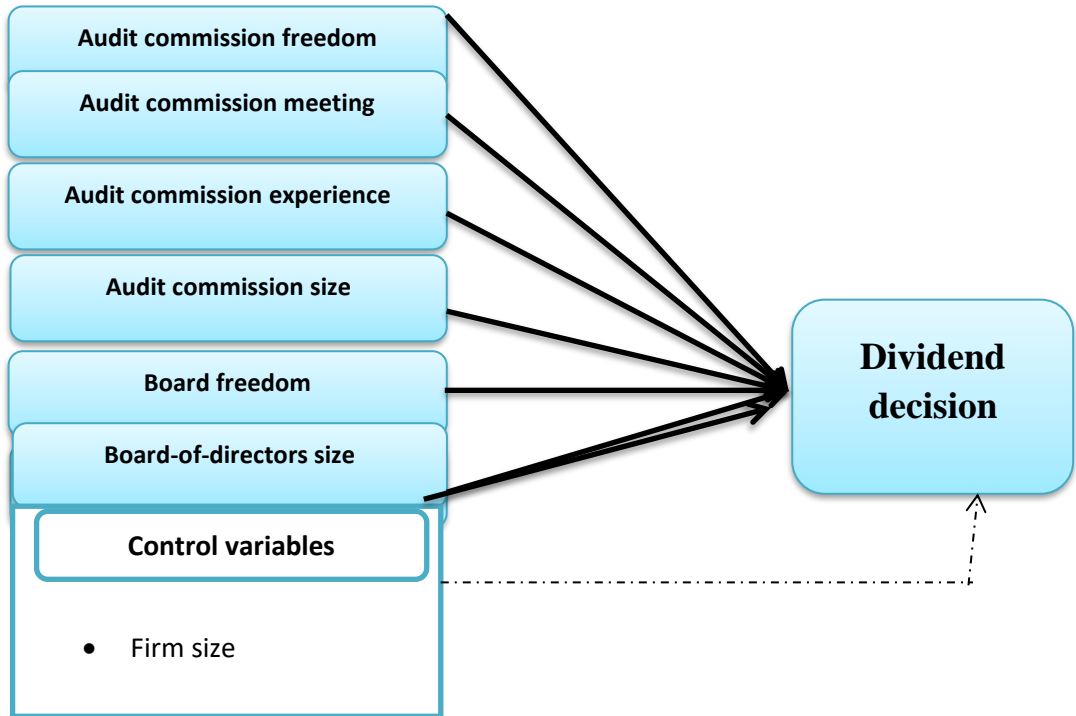
FS: Firm size.

##### 4.1 Theoretical Framework

The theoretical framework explains how corporate governance mechanisms influence dividend decisions in listed Saudi Arabian firms (see [Figure 1](#)).

## 4.2 Data Analysis

Table 1 demonstrates the expressive figures for several factors in this research. The variables represented are DIVD, ACI, ACZ, ACE, ACM, CEO, BDS, ACS, and FS.



**Figure 1.** Theoretical Framework

The mean DIVD value of 0.35799 indicates that enterprises in the research issue DIVDs around 36% of the time on average. Some corporations pay dividends far more frequently than others, as indicated by the standard deviation of 0.6013. The high skewness of 5.7047 indicates that a minority of companies pay dividends significantly more frequently than the majority. The high kurtosis value of 78.5535 shows that the distribution of DIVDs has reached its maximum, with a small number of enterprises making the majority of decisions.

The mean ACI value of 0.5388 indicates that, on average, more than fifty-three percent of audit committee members are independent. The standard deviation of 0.2757 implies that companies' proportion of independent audit committee members varies relatively little. The low skewness value of 0.0624 shows that the ACI distribution is highly symmetric and excludes notable outliers. The low kurtosis value of 2.4367 shows that the distribution is essentially flat, with no outliers.

The mean ACZ score of 3.1808 shows that, on average, study firms had between three and four associates. The standard deviation of 0.4969 indicates a slight variance in ACZ amongst companies. The skewness of 1.8101 shows that only a few companies have audit committees that are relatively substantial. The kurtosis value of 9.9605 indicates that the distribution of audit committee size is somewhat skewed, with a small number of organizations possessing huge audit committees.

The average ACE value of 0.4377 indicates that audit committee members in the companies included in the study have less than half of their experience in accounting or finance. The standard deviation of 0.1195 implies that the experience level of audit committee members across organizations varies little. The skewness of 1.4001 shows that a few companies have audit committees with less experience. The kurtosis value of 6.2399 implies that the distribution of ACE is relatively skewed, with just a small percentage of companies having audit committees with little experience.

The mean ACM score of 5.8347 indicates that, on average, companies in the research conduct ACMs approximately six times each year. The standard deviation of 2.7856 indicates that the frequency of ACMs across organizations varies substantially. The skewness of 1.4482 indicates that only a few organizations have ACMs that occur seldom. The kurtosis value of 5.5603 indicates that the frequency distribution of ACMs is relatively skewed, with a small number of enterprises experiencing ACMs seldom.

The mean CEO duality value of 0.3643 indicates that, on average, around 36% of enterprises in the survey have two CEOs. The standard deviation of 0.4814 indicates that the CEO duality of the enterprises is relatively dispersed, with some firms exhibiting CEO duality significantly more frequently than others. The skewness of 0.5635 indicates that the CEO duality distribution is symmetric, with no significant outliers. A kurtosis value of 1.3176 indicates that the distribution is relatively flat, with no extraordinarily high or shallow values.

The mean BDS score of 9.5059 indicates that, on average, organizations in the research have between 9 and 10 members on their boards of directors. The standard deviation of 2.1864 indicates an average variance in BDS between companies. Few firms have relatively large boards, as indicated by the skewness value of 1.2697. In contrast, the kurtosis value of 6.3818 indicates that the distribution of BDS is relatively skewed, with a limited number of firms having huge boards.

The mean ACZ score of 1.7397 indicates that, on average, audit committees consist of between one and two members among the companies analyzed. The standard deviation of 1.2035 indicates a moderate degree of variance in ACZ between organizations. The skewness of 1.6709 indicates that only a few companies have tiny audit committees. The kurtosis value of 7.9600 indicates that the distribution of audit committee size is significantly skewed, with a small number of enterprises possessing extremely small audit committees.

The mean FS score of 7.4035 indicates that, on average, the companies in the study are of a size between moderate and significant. The standard deviation of 0.6294 indicates that FS across firms is generally consistent. The skewness value of 0.0991 indicates that the distribution of FS is relatively symmetric, with no outliers of significant size. The kurtosis score of 3.9250 indicates that the distribution is relatively flat, with no outliers.

**Table 2. Descriptive Statistics**

	DIVD	ACI	ACZ	ACE	ACM	CEO	BDS	ACZ	FS
<b>Mean</b>	0.35799	0.5388	3.1808	0.4377	5.8347	0.3643	9.5059	1.7397	7.4035
<b>S.D.</b>	0.6013	0.2757	0.4969	0.1195	2.7856	0.4814	2.1864	1.2035	0.6294
<b>Skewness</b>	5.7047	0.0624	1.8101	1.4001	1.4482	0.5635	1.2697	1.6709	0.0991
<b>Kurtosis</b>	78.5535	2.4367	9.9605	6.2399	5.5603	1.3176	6.3818	7.9600	3.9250

Table 2 is a correlation matrix displaying the correlation coefficients between the study's variables. Each table cell displays the correlation between two variables, with coefficients ranging from 1 to 1. A coefficient of 1 indicates a perfect negative correlation, whereas a coefficient of 0 indicates no correlation, and a coefficient of 1 indicates a perfect positive correlation. A strong positive association exists between DIVD and ACM, a robust positive correlation between CEO duality and ACI, a moderate positive correlation between BDS and ACZ, and a weak positive correlation between DIVD and ACZ.

**Table 3. Correlation Matrix**

	DIVD	ACI	ACZ	ACE	ACM	CEO	BDS	ACZ	FS
<b>DIVD</b>	1								
<b>ACI</b>	0.7594	1							
<b>ACZ</b>	0.0060	0.0184	1						
<b>ACE</b>	0.0024	0.3936	0.0145	1					
<b>ACM</b>	0.9742	0.0226	0.0008	0.0075	1				
<b>CEO</b>	0.0000	0.9436	0.0011	0.0017	0.0003	1			
<b>BDS</b>	0.7770	0.8365	0.3058	0.8782	0.0784	0.0001	1		
<b>ACZ</b>	0.0000	0.0130	0.0000	0.8968	0.1234	0.0068	0.5367	1	
<b>FS</b>	0.0000	0.4633	0.0000	0.7506	0.7835	0.0000	0.4334	0.0000	1

According to Table 4, the coefficient of ACI is 0.00698, and its P-value is 0.9140. This indicates that despite this variable and the dependent variable having a slight positive association, it lacks statistical significance as the p-value remains more than 0.05. The factor ACZ has a coefficient of 0.03236 and a P-value of 0.3801. The P-value is more significant than 0.05. Hence the small positive correlation between this variable and the dependent variable is not statistically significant. The coefficient of the ACE factor is

0.40007, and the P-value is 0.0000. It indicates a strong positive relationship between this variable and the dependent variable.

Moreover, the P-value is less than 0.05, indicating statistical significance. The factor ACM has a coefficient of 0.00136 and a P-value of 0.0332, indicating a weak inverse connection between this variable and the dependent variable. The p-value is less than 0.1, indicating that the correlation is almost significant. The coefficient of the CEO is 0.10272, and its p-value is 0.0051. This indicates a modest positive link between this variable and the dependent variable, and it is statistically close to being significant because the p-value is less than 0.05. The coefficient of the factor BDS is 0.00380, and the P-value is 0.0006, indicating a slight positive relationship between this variable and the dependent variable. Because the P-value is less than 0.05, it is statistically significant.

The ACZ coefficient value is 0.04184, and the P-value is 0.0000, indicating a strong positive relationship between this variable and the dependent variable. The P-value is less than 0.05, indicating statistical significance. FS has a coefficient value of 0.14975 and a P-value of 0.0000, indicating a strong positive connection between this variable and the dependent variable. In addition, it is statistically significant because the P-value is less than 0.05.

It is essential to highlight that coefficients and p-values must be evaluated in the research context and the dependent and independent variables used.

The R-squared ( $R^2$ ) value measures how well the independent variables in the model explain the variation in the dependent variable. In this case, the  $R^2$  value of 0.6510 means that the independent variables explain 65.10% of the variation in the dependent variable. A more excellent value of  $R^2$  implies a more significant proportion of the discrepancy in the dependent variable, which the independent variables have elucidated. Thus the framework is the best fit. Adjusted  $R^2$  (Adj.  $R^2$ ) is an altered form of  $R^2$  that alters many other independent factors in the framework. It is utilized for comparing frameworks that have varying numbers of independent variables. In this case, the Adj.  $R^2$  value is 0.6232, which indicates that 62.32% of the variance in the dependent variable is illustrated by the independent variables, altering the number of independent variables in the framework.

The significance of the F test is a measure of the overall significance of the model. It is calculated by comparing the explained variance in the dependent variable (as measured by the  $R^2$  value) to the unexplained variance (the error). A low p-value (typically less than 0.05) indicates that the model is statistically significant, meaning that the independent variables have a statistically significant effect on the dependent variable. In this case, the significance of F is 0.0000, which suggests that the model is statistically significant.

The Breusch–Pagan test is a test for heteroscedasticity, a condition in which the variance of the error term is not constant across all levels of the independent variables. A low  $p$ -value (typically less than 0.05) indicates evidence of heteroscedasticity, which may impact the model's assumptions and results. In this case, the  $p$ -value of 0.0041 suggests evidence of heteroscedasticity in the data.

The Durbin–Watson statistic is a test for autocorrelation, a condition in which the model residuals correlate. The range of Durbin–Watson is 0 to 4, with values around 2 representing no autocorrelation. In this case, the Durbin–Watson statistic of 1.8113 suggests no significant autocorrelation in the model's residuals.

**Table 4. Empirical Results**

<b>Regression Results (<math>DIVD_t = \beta_0 + \beta_1ACI_t + \beta_2ACZ_t + \beta_3ACE_t + \beta_4ACM_t + \beta_5CEO_t + \beta_6BDS_t + \beta_7ACS_t + \beta_8FS_t + \varepsilon_t</math>)</b>				
	<b>Coef.</b>	<b>Std. Err.</b>	<b>P &gt;  t </b>	<b>VIFs</b>
<b>Constant</b>	1.09861	0.25709	0.0000	---
<b>ACI</b>	0.00698	0.06455	0.9140	1.00
<b>ACZ</b>	0.03236	0.03684	0.3801	1.22
<b>ACE</b>	0.40007	0.14952	0.0000	1.00
<b>ACM</b>	-0.00136	0.00646	0.0332	1.65
<b>CEO</b>	0.10272	0.03911	0.0051	1.54
<b>BDS</b>	0.00380	0.00815	0.0006	1.72
<b>ACS</b>	0.04184	0.01514	0.0000	1.21
<b>FS</b>	0.14975	0.03056	0.0000	1.91

$R^2 = 0.6510$   
 Adj.  $R^2 = 0.6232$   
 Significance of  $F = 0.0000$   
 Breusch–Pagan (Prob > chi2) = 0.0041  
 Durbin–Watson = 1.8113

## 5. CONCLUSION AND FUTURE RECOMMENDATIONS

According to the results, audit committee experience has the strongest positive link with the dependent variable (i.e., dividend decision) and is statistically significant. CEO duality and board size have a weak positive link with the dependent variable and are statistically significant. The remaining variables (independence of the audit committee, audit committee size, audit committee meetings, and firm size) positively correlate with the dependent variable, but this link is not statistically significant. Further research should investigate the underlying mechanisms through which audit committee experience influences dividend decisions and other potential factors that may influence dividend decisions in Saudi Arabian companies. To boost the generalizability of the

findings, it would also be good to broaden the sample to include a more significant number of enterprises across a more extended period.

In terms of the consequences of the study, the presence of an experienced audit committee can positively influence the dividend decisions of Saudi Arabian corporations. This emphasizes the significance of ensuring that audit committees consist of individuals with relevant experience and knowledge. The findings also indicate that CEO duality and board size can influence dividend decisions; therefore, organizations must have distinct roles for the CEO and board chair.

This study concludes with evidence that corporate governance procedures, notably audit committee experience, CEO duality, and board size, substantially impact the dividend decisions of Saudi Arabian enterprises listed on the stock exchange between 2015 and 2020. Hence, businesses should prioritize the makeup and experience of their audit committees and the division of responsibilities between the CEO and the panel's chair. Some more recommendations can be made based on the study's findings:

The study indicated that audit committee experience is positively correlated with dividend decisions. Thus companies should prioritize the experience of their audit committee members. Companies should therefore ensure that their audit committees are staffed with knowledgeable persons who can provide appropriate advice and direction. The study indicated that separating the positions of CEO and chairman of the board influences dividend decisions favorably. To achieve a better balance of power and a more effective governance structure, businesses may consider splitting the responsibilities of the CEO and board chairperson.

The study indicated that board size positively correlates with dividend decisions. Thus companies should ensure an acceptable board size. Companies should therefore ensure that their boards are suitably sized to provide oversight and direction. The research stresses the value of commercial supremacy practices in influencing dividend decisions, which companies should prioritize. To ensure rational decision-making and long-term performance, businesses should prioritize implementing effective corporate governance processes. While this study gives valuable insights into the relationship between corporate governance standards and dividend decisions, additional research is required to explore the complexities of this relationship and discover the best effective corporate governance methods for Saudi Arabian companies.

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