

Effect of Corporate Governance on Dividend Policy of Nepalese Insurance Companies

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Abstract

This study investigates the effect of corporate governance on dividend policy of Nepalese insurance companies. Dividend payout ratio and dividend per share are the dependent variables. Similarly, board size, female directors, number of independent directors, operating expenses and total asset are selected as independent variables. The study is based on secondary data of 15 Nepalese insurance companies with 102 observations for the period from 2013/14 to 2021/22. The data were collected from the annual reports of respective insurance companies. The correlation coefficients and regression models are estimated to test the significant and importance of different corporate governance variables on the dividend policy of Nepalese insurance companies.

This study shows that the board size has a positive impact on dividend payout ratio and dividend per share. It indicates that increase in the number of board members leads to increase in dividend payout ratio and dividend per share in Nepalese insurance companies. Likewise, female director has a positive impact on dividend payout ratio and dividend per share. This implies that higher the number of female directors in the board of a company, higher would be the dividend payout ratio and dividend per share. Similarly, the number of independent directors has a positive impact on dividend payout ratio and dividend per share. It means that the increase in number of independent directors leads to increase in dividend payout ratio and dividend per share. Moreover, operating expenses has a positive impact on dividend payout ratio and dividend per share. This indicates that higher the operating expense ratio, higher would be the dividend payout ratio and dividend per share. In addition, total assets have a positive impact on dividend payout ratio and dividend per share. It indicates that increase in the total assets leads to increase in dividend payout ratio and dividend per share in Nepalese insurance companies.

Keywords: dividend payout ratio, dividend per share, board size, female directors, number of independent directors, operating expenses, total asset

1. Introduction

Corporate governance is the term for the system used to direct and govern organizations (Jiang *et al.*, 2012). It addresses both the duties of the board of directors and their interaction with the shareholders. Directors are essential to a firm because they assess performance, provide resources, and

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offer advice services (Ntim, 2015). The basic role of corporate governance lies in regulating the board's actions. It is a control and monitoring system in which the board of directors oversees the work of management to maximize shareholder value (Jebran and Chen, 2020). Corporate governance is one of the most important dimensions of ESG (environmental, social and governance) indices, revealing its capacity to ensure legitimacy (Akhtaruzzaman *et al.*, 2022).

According to Arora and Bodhanwala (2018), corporate governance attempts to make it easier to monitor and manage business operations effectively. Its core values include justice, transparency, and improved disclosures to safeguard the interests of many stakeholders. Furthermore, effective decision-making is anticipated to improve the performance of the company thanks to corporate governance structures (Shivani *et al.*, 2017). Incorporating good corporate governance improves corporate performance by ensuring the protection of shareholders' rights, reducing firm risk, enhancing corporate reputation, and raising shareholders' value (Birkey *et al.*, 2016; Coskun and Sayilir, 2012). Therefore, investors feel more comfortable investing in companies with a strong reputation and high rating in corporate governance (Saeed and Zamir, 2021). With good corporate governance, it also becomes imperative to alleviate information asymmetry costs and provide non-financial information to enhance reputation, particularly in emerging markets (Claessens and Yurtoglu, 2013; Dhaliwal *et al.*, 2011). Firms with better corporate governance procedures achieve organizational objectives and goals more consistently than those without (Bradley, 2004). Businesses with better processes and procedures are more likely to perform well. Better policies and procedures have been identified as a key factor in improving an organization's financial performance. Many authors argued that if an organization priority having and following systems, it will be able to provide better returns to its shareholders (Gompers *et al.*, 2003). In general, effective governance practices decrease risk for investors, enhance financial performance, and aid in luring investors, hence they are often seen as a key factor determining an economy's growth prospects (Spanos, 2005). Monda and Giorgino (2013) also documented that better corporate governance results in higher market valuation and financial performance measured by ROA for companies listed in France, Italy, Japan, the UK and the US.

Corporate governance is also an indispensable component of sustainability performance. Harjoto and Jo (2011) claimed that the Corporate Sustainability Performance (CSP) is positively associated with good governance. Benlemlih

(2019) confirmed the positive impact of corporate governance on the CSP and dividend policy relationship for a sample of 3040 US firms. Hence, corporate governance score is likely to be positively related to dividend payout as better-governed companies offer stronger protection rights to shareholders by returning more cash to the investors (Mitton, 2004). In contrast to the positive findings on the moderating role of corporate governance on the CSP and dividend policy relationship, there are relatively few studies claiming opposite argument. John *et al.* (2015) argued that companies that have poor corporate governance tend to make high dividend payments to remedy agency problem. Moreover, emerging markets where the tangible and intangible benefits of sustainability activities will bring more competitive advantages over time. Thus, companies in these markets should embed sustainability in all levels of organizations and prioritize developing solid relationships with investors and stakeholders through a sustainability lens (Oprean-Stan, 2020). Meanwhile, companies use different policies to meet the expectations of shareholders and stakeholders. Dividend policy is one of them. It is an important way for investors to generate return on investment, and thus, it can be viewed as a socially responsible attitude toward the distribution of wealth (Oh and Park, 2021). Companies use dividend policy to distribute a certain amount of net profit to the shareholders. Given that companies are generally engaged with good corporate governance and socially responsible actions, dividend policy may be influenced by implementing sustainability actions and its tridimensional perspective called Triple Bottom Line (Harjoto and Jo, 2011).

The persistence of business scandals and failures has prompted studies into the efficiency of various corporate governance frameworks (Ntim, 2015). The studies' findings, on the other hand, are inconclusive and yield mixed results. Some studies showed that corporate governance variables including board size, composition, diversity, and board independence have a positive impact on performance (Chen *et al.*, 2005; Jackling and Johl, 2009; Khan and Subhan, 2019; Riyadh *et al.*, 2019; Lozano *et al.*, 2016). Other studies, on the other hand, documented a negative relationship (Afrifa and Tauringana, 2015; Malik and Makhdoom, 2016; O'connell and Cramer, 2010), while others found no relationship (Mak and Kusnadi, 2005; Ghazali, 2010; Haji, 2014; Chabachib *et al.*, 2019). Furthermore, because of cultures and corporate governance structure difference, most of these studies focus on developed countries and may not be applicable to other countries (Arora and Sharma, 2016).

Financial transfers to shareholders in the form of dividends may be beneficial in reducing agency issues. Lintner and Gordon (1956) proposed that there is a direct relationship between firm's dividend policy and its market value, in support of dividend relevance theory. The bird in the hand argument, which indicates that current payouts are less hazardous than future dividends or capital gains, is central to this argument. Akhtaruzzaman *et al.* (2021) found that paying out dividends has no impact on the performance of insurance businesses listed on the Nairobi Stock Exchange. Further, Afrifa and Tauringana (2015) looked at the relationship between dividend policy and insurance company performance, and found that dividend policy has no impact on the firm's success. Furthermore, dividend irrelevance theory suggests that dividend payment has an indirect link with performance, contrary to dividend relevance theory. Likewise, Abebe *et al.* (2022) examined the effect of corporate governance on the financial performance of Ethiopian insurance companies that are heavily regulated. The result revealed that board size, management soundness, board remuneration, and financial disclosure have a positive and significant effect on insurance company financial performance, whereas debt and dividend payout have a negative and significant impact on insurance company financial performance. Thus, the study concludes that all corporate governance measures have a significant impact on insurance companies' financial performance.

Al-Kahmisi and Hassan (2018) argued that CEO duality and dividend yield have negative association which is also dissimilar to recent expectations. The study found that the CEO duality has undesirable influence on dividend yield due to poor performing capability of the CEO, specifically, when CEO is the head in board of directors. This will result in loss of internal control of the system effectiveness. According to Jahanzeb (2016), there is a positive relationship between board size and dividend payout policy. Strong corporate governance supplants the need to subject the firm to the external monitoring of capital markets forced due to dividend distributions. Regulated firms therefore appear to be able to rely on external monitor already in place as a result of the regulation and on dividend distribution (Puleo Jr *et al.*, 2009).

In the context of Nepal, Bhandari and Pokharel (2012) concluded that payment of dividend to shareholders is the effective way to attract investors and retain current investors. Therefore, financial institutions have to respect investors' expectation and decide on dividend accordingly. Lamichhane (2013) found that size of assets and debt ratio has negative effect but ownership concentration has no relationship with financial performance. The study

concluded that corporate governance, market to book value ratio, age, size of assets and debt ratio have strong explaining power of financial performance. Pradhan and Rajbhandari (2016) revealed that growth prospects, leverage and size have major impact upon the dividend behavior of the commercial banks of Nepal. The study found that growth prospects, leverage and P/E ratio are the variables that affect the dividend behavior negatively and significantly. In contrast, the variables, size, profitability and past dividends also contribute a significant positive impact on the dividend policy of the Nepalese commercial banks. Adhikari (2013) concluded that profitability, size, and liquidity have a significant impact on the dividend payouts of overall listed enterprises. The study showed that profitability and liquidity influence the dividend payout ratio positively and size affects negatively. Also, lagged dividends influence the dividend payouts of non-financial sector enterprises in Nepal. The study revealed that net profits, total assets, and liquidity are the major determinants of corporate dividend payout in Nepal. Maharjan (2019) concluded that there exists strong relationship between the corporate governance practices and dividend policy. The board meeting and audit committee were found to positively affect the financial performance of insurance companies. Board size is found to be negative but not significant. The study further stated that CEO duality has the negative impact on the performance of the insurance company.

The above discussion shows that empirical evidences vary greatly across the studies on the effect of corporate governance on dividend policy. Though there are above mentioned empirical evidences in the context of other countries and in Nepal, no such findings using more recent data exist in the context of Nepal. Therefore, in order to support one view or the other, this study has been conducted.

The main purpose of the study is to analyze the effect of corporate governance on dividend policy in the context of Nepalese insurance companies. Specifically, it examines the relationship of board size, female directors, number of independent directors, operating expenses and total assets with dividend policy of Nepalese insurance companies.

The remainder of this study is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final sections draws the conclusion.

2. Methodological aspects

The study is based on the secondary data which were gathered from

15 life insurance companies of Nepal from 2013/14 to 2021/22, leading to a total of 102 observations. The main sources of data include Banking and Financial Statistics published by Nepal Rastra Bank, reports published by Ministry of Finance and annual report of respective banks. This study is based on descriptive and causal comparative research designs. Table 1 shows the list of insurance companies selected for the study along with the study period and number of observations.

Table 1

List of insurance companies selected for the study along with the study period and number of observations

S.N.	Name of insurance companies	Study period	Observations
1	Ajod Insurance Company Limited	2013/14- 2021/22	5
2	Asian Life Insurance Company Limited	2013/14- 2021/22	8
3	Citizen Life Insurance Company Limited	2013/14- 2021/22	4
4	Gurans Life Insurance Company Limited	2013/14- 2021/22	7
5	IME Life Insurance Company Limited	2013/14- 2021/22	5
6	Jyoti Life Insurance Company Limited	2013/14- 2021/22	5
7	National Life Insurance Company Limited	2013/14- 2021/22	8
8	Nepal Life Insurance Company Limited	2013/14- 2021/22	8
9	Premier Insurance Company Limited	2013/14- 2021/22	9
10	Prime Life Insurance Company Limited	2013/14- 2021/22	8
11	Sagarmatha Insurance Company Limited	2013/14- 2021/22	8
12	Shikhar Insurance Company Limited	2013/14- 2021/22	7
13	Siddhartha Insurance Limited	2013/14- 2021/22	9
14	Surya Life Insurance Company Limited	2013/14- 2021/22	7
15	Union Life Insurance Company Limited	2013/14- 2021/22	4
Total observation for insurance companies			102

Thus, the study is based on 102 observations.

The model

The model in this study assumes that dividend payout ratio and dividend per share of insurance companies depends on board size, female directors, number of independent directors, operating expenses and total assets. Therefore, the model takes the following form:

$$DPR = \beta_0 + \beta_1 BS + \beta_2 FD + \beta_3 NID + \beta_4 OE + \beta_5 TA + e$$

$$DPS = \beta_0 + \beta_1 BS + \beta_2 FD + \beta_3 NID + \beta_4 OE + \beta_5 TA + e$$

Where,

DPR = Dividend payout ratio as measured by the ratio of total cash dividend to net profit, in percentage.

DPS = Dividend per share as measured by the ratio of total cash dividend to number of share outstanding, in percentage.

BS = Board size as measured by the number of member of board of directors, in number.

FD = Female director as measured by the number of female directors in the board, in number.

NID = Number of independent directors as measured by the number of independent directors in the board, in number.

OE = Operating expenses as measured by the expenses a business incurs through its normal business operations, Rs in millions.

TA = Total assets as measured by the total assets of the insurance companies, Rs in billions.

The following section describes the independent variables used in this study along with hypothesis formulation.

Board size

Schillemans and Bjurstrøm (2020) conducted a study on the impact of corporate governance on the performance of insurance companies, and discovered that board size has a beneficial impact. Similarly, Bokpin (2011) examined the relationship between corporate governance, ownership structure and dividend performance and the findings indicated a positive impact of board size on dividend policy. According to Sahid *et al.* (2016), there is a positive and significant relationship between board size and dividend policy which means that firms with larger board size pursue more dividend payout policies. Byoun *et al.* (2016) indicated that a board size of eight or above eight would more efficiently manage the firm. The study showed that a small board might agree on decisions beneficial to them only. Likewise, Zahra and Pearce (1989) asserted that a large board with many directors is more valuable than the ones with small board with a smaller number of directors because of their vast knowledge, resources, and external links. However, Haniffa and Hudaib (2006) found a positive effect of small board size on dividend policy. Based on it, this study develops following hypothesis:

H₁: There is a positive relationship between board size and company's dividend yield.

Female directors

According to Terjesen *et al.* (2009), female representation in corporate decision-making is an important issue for policymakers, women on corporate board influences corporate governance and firm performance. Pucheta-Martínez and Bel-Oms (2015) examined the effect of women's representation on the board directors in Spain and found that there is a positive relationship between gender diversity and dividend payment. Likewise, Byoun *et al.* (2016) concluded that the companies that have gender diversity on the board directors are more likely to pay dividends compared to companies which have less gender diversity on the board directors. However, Maftucho and Khoiruddin (2018) observed that there is no effect of female directors on dividend policy peroxide by dividend payout ratio in developing countries, Indonesia as well as Malaysia. Likewise, Mai and Syarief (2021) revealed that female board of directors has a negative effect on propensity to pay dividends. Based on it, this study develops following hypothesis:

H₂: There is a positive relationship between the female directors and company's dividend yield.

Number of independent directors

Mansourinia *et al.* (2013) examined the connection between board independence and dividend payout ratio for Malaysian companies who found no significant impact of board independence on the firm's dividend ratio. Sharma (2011) and Uwalomwa *et al.* (2015) revealed a significant positive association between board independence and corporate dividend payout in Tehran, India and Nigeria respectively. Abor and Fiador (2015) found a significantly positive association of board independence on dividend payout policy. Similarly, Gugler and Yurtoglu (2003) also indicated that independence directors have significant and positive impact on dividend policy. In addition, Haye (2015) found that board independence has significant and positive impact on dividends-to-total assets, dividends-to-sales and dividend decision in telecom industry in USA while board independence is insignificantly related with dividends-to earnings ratio. Based on it, this study develops following hypothesis:

H₃: There is a positive relationship between the board independence and company's dividend yield.

Operating expenses

According to Athanasoglou *et al.* (2008), the amount of operating expenses is defined by the quality of management, which has an impact on profitability. Buallay (2019) investigated the factors influencing the performance of 20 short-term insurance businesses in Zimbabwe. The study's findings implied that a company's managerial soundness has a negative and significant impact on the performance of insurance businesses. In the same way, Afolabi (2018) examined the impact of claim payouts on insurance company profitability in Nigeria and the study discovered that return on asset has an indirect link with loss ratio and net claims but a direct association with expense ratio. However, Sari and Endri (2019) assessed the determinants of Return on Assets (ROA) on conventional banks listed on Indonesian Stock Exchange (IDX) Period 2013–2017. The study revealed that operating expense to operating income ratio has a negative and significant impact on ROA. Based on it, this study develops following hypothesis:

H₄: There is a positive relationship between operating expenses and company's dividend yield.

Total assets (Firm size)

Al-Amarneh and Yaseen (2014) examined the relationship between corporate governance and dividend policy in Jordan using a sample of 47 industrial companies listed in Amman Stock Exchange (ASE) during the period 2005–2011. The study revealed that large firms with high investment opportunity set (growth) and high return on equity make large dividend payments. Hashemi and Zadeh (2012) studied the effect of company size and financial leverage on dividend policy. The study found that there is a positive relationship between company size and dividend policy as larger companies tend to pay more dividends than smaller ones. Likewise, larger companies have easier access to the market and are expected to pay more dividends (Aivazian *et al.*, 2003). Awad (2015) studied the determinants of dividend policy in Kuwait stock exchange and concluded that total assets are positively correlated with dividend per share. Based on it, this study develops following hypothesis:

H₅: There is a positive relationship between total assets and company's dividend yield.

3. Result and discussion

Descriptive statistics

Table 2 presents the descriptive statistics of selected dependent and independent variables during the period 2013/14 to 2021/22.

Table 2

Descriptive statistics

The table shows descriptive statistics of dependent and independent variable. The dependent variables are DPR (Dividend payout ratio as measured by the ratio of total cash dividend to net profit, in percentage) and DPS (Dividend per share as measured by the ratio of total cash dividend to number of share outstanding, in percentage). The independent variables are BS (Board size as measured by the number of member of board of directors, in number), FD (Female directors as measured by the number of female directors in the board, in number), NID (Number of independent directors as measured by the number of independent directors in the board, in number), OE (Operating expenses as measured by the expenses a business incurs through its normal business operations, Rs in millions) and TA (Total assets as measured by the total assets of the insurance companies, Rs in billions).

Variables	Minimum	Maximum	Mean	Std. Deviation
DPR	0	93	7.09	18.84
DPS	0	82	2.96	9.37
BS	4	10	6.85	1.35
FD	0	3	0.58	0.72
NID	0	2	0.69	0.54
OE	0.785	3202.358	111.049	443.260
TA	0.088	60.104	4.990	1.460

Source: SPSS output

Correlation analysis

Having indicated the descriptive statistics, Pearson's correlation coefficients has been computed and the results are presented in Table 3.

Table 3

Pearson's correlation coefficients matrix

This table shows the bivariate Pearson's correlation coefficients of dependent and independent variables of 15 Nepalese insurance companies for the study period 2013/14 to 2021/22. The dependent variables are DPR (Dividend payout ratio as measured by the ratio of total cash dividend to net profit, in percentage) and DPS (Dividend per share as measured by the ratio of total cash dividend to number of share outstanding, in percentage). The independent variables are BS (Board size as measured by the number of member of board of directors, in number), FD (Female directors as measured by the number of female directors in the board, in number), NID (Number of independent directors as measured by the number of independent directors in the board, in number), OE (Operating expenses as measured by the

expenses a business incurs through its normal business operations, Rs in millions) and TA (Total assets as measured by the total assets of the insurance companies, Rs in billions).

Variables	DPR	DPS	BS	FD	NID	OE	TA
DPR	1						
DPS	0.508**	1					
BS	0.077	0.054	1				
FD	0.227*	0.192	0.231*	1			
NID	0.141	0.113	0.360**	0.054	1		
OE	0.024	0.037	0.059	-0.083	0.365**	1	
TA	0.654**	0.293**	0.075	0.238*	0.176	0.072	1

Note: The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent levels respectively.

Table 3 shows that the board size is positively related to dividend payout ratio and dividend per share. It indicates that increase in the number of board members leads to increase in dividend payout ratio and dividend per share in Nepalese insurance companies. Likewise, female director is positively related to dividend payout ratio and dividend per share. This implies that higher the number of female directors in the board of a company, higher would be the dividend payout ratio and dividend per share. Similarly, the number of independent directors is positively related to dividend payout ratio and dividend per share. It means that the increase in number of independent directors leads to increase in dividend payout ratio and dividend per share. Moreover, operating expenses is positively related to dividend payout ratio and dividend per share. This indicates that higher the operating expense ratio, higher would be the dividend payout ratio and dividend per share. Likewise, total assets is positively related to dividend payout ratio and dividend per share. It indicates that increase in the total assets leads to increase in dividend payout ratio and dividend per share in Nepalese insurance companies.

Regression analysis

Having indicated the Pearson's correlation coefficients, the regression analysis has been carried out and the results are presented in Table 4. More specifically, it shows the regression results of board size, female directors, number of independent directors, operating expenses and total assets on dividend payout ratio in Nepalese insurance companies.

Table 4

Estimated regression results of board size, female director, number of independent directors, operating expenses and total assets on dividend payout

ratio in Nepalese insurance companies

The results are based on the panel data of 15 selected Nepalese insurance companies for the period from 2013/14 to 2021/22, leading to a total of 102 observations by using linear regression models. The model is $DPR = \beta_0 + \beta_1 BS + \beta_2 FD + \beta_3 NID + \beta_4 OE + \beta_5 TA + e$, where the dependent variable is DPR (Dividend payout ratio as measured by the ratio of total cash dividend to net profit, in percentage). The independent variables are BS (Board size as measured by the number of member of board of directors, in number), FD (Female directors as measured by the number of female directors in the board, in number), NID (Number of independent directors as measured by the number of independent directors in the board, in number), OE (Operating expenses as measured by the expenses a business incurs through its normal business operations, Rs in millions) and TA (Total assets as measured by the total assets of the insurance companies, Rs in billions).

Models	Intercepts	Regression coefficients of					Adj. R _{bar} 2	SEE	F-value
		BS	FD	NID	OE	TA			
1	-0.337 (0.035)	1.083 (0.776)					0.004	18.878	0.602
2	3.665 (1.565)		5.917 (2.333)*				0.042	18.440	5.444
3	3.602 (1.182)			4.929 (1.422)			0.010	18.826	2.021
4	6.974 (3.608)**				1.025 (0.241)		0.009	18.930	0.058
5	-0.186 (0.113)					1.457 (8.655)**	0.423	14.317	74.916
6	1.228 (0.128)	0.369 (0.262)	5.759 (2.199)*				0.033	18.526	2.731
7	2.679 (0.277)	0.366 (0.243)	5.998 (2.282)*	4.828 (1.320)			0.042	18.521	2.459
8	2.693 (0.277)	0.372 (0.245)	5.984 (2.254)*	4.910 (1.242)	2.554 (0.056)		0.032	18.617	1.826
9	-1.988 (0.260)	0.030 (0.025)	1.895 (0.883)	1.243 (0.396)	1.206 (0.340)	1.408 (7.816)**	0.405	14.600	14.592

Notes:

- i. Figures in parenthesis are t-values.
- ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent levels respectively.
- iii. Dividend payout ratio is the dependent variable.

Table 4 shows that the beta coefficients for the board size are positive with dividend payout ratio. It means board size has a positive impact on dividend payout ratio. This finding is consistent with the findings of Schillemans and Bjurstrøm (2020). Likewise, the beta coefficients for female director are positive with dividend payout ratio. This implies that female director has a positive impact on dividend payout ratio. This finding is consistent with the findings of Pucheta-Martínez and Bel-Oms (2015). Similarly, the beta coefficients for independent directors are positive with dividend payout ratio. This indicates that independent directors have a positive impact on dividend payout ratio. This finding is not similar to the findings of Mansourinia *et al.* (2013). Likewise, the beta coefficients for operating expenses are positive with dividend payout ratio. It shows that operating expense has a positive

impact on dividend payout ratio. This finding is consistent with the findings of Afolabi (2018). In addition, the beta coefficients for total assets are positive with dividend payout ratio indicating that total assets have a positive impact on dividend payout ratio. This finding is similar to the findings of Al-Amarnah and Yaseen (2014).

Table 5 shows the regression results of board size, female directors, number of independent directors, operating expenses and total assets on dividend per share in Nepalese insurance companies.

Table 5

Estimated regression results of board size, female director, number of independent directors, operating expenses and total assets on dividend per share in Nepalese insurance companies

The results are based on the panel data of 15 selected Nepalese insurance companies for the period from 2013/14 to 2021/22, leading to a total of 102 observations by using linear regression models. The model is $DPS = \beta_0 + \beta_1 BS + \beta_2 FD + \beta_3 NID + \beta_4 OE + \beta_5 TA + e$, where the dependent variable is DPS (Dividend Per share as measured by the ratio of total cash dividend to number of share outstanding, in percentage). The independent variables are BS (Board size as measured by the number of member of board of directors, in number), FD (Female directors as measured by the number of female directors in the board, in number), NID (Number of independent directors as measured by the number of independent directors in the board, in number), OE (Operating expenses as measured by the expenses a business incurs through its normal business operations, Rs in millions) and TA (Total assets as measured by the total assets of the insurance companies, Rs in billions).

Models	Intercepts	Regression coefficients of					Adj. R_bar2	SEE	F-value
		BS	FD	NID	OE	TA			
1	0.377 (0.078)	0.377 (0.543)					0.007	9.402	0.295
2	1.528 (1.302)		2.483 (1.953)				0.027	9.241	3.816
3	1.589 (1.045)			1.953 (1.128)			0.003	9.400	1.272
4	2.877 (2.955)**				7.771 (0.368)		0.009	9.409	0.135
5	1.346 (1.299)					3.241 (3.061)**	0.077	9.003	9.373
6	1.043 (0.217)	0.073 (0.104)	2.451 (1.867)				0.017	9.287	1.895
7	1.636 (0.337)	0.226 (0.297)	2.541 (1.921)	1.973 (1.072)			0.020	9.320	1.668
8	1.617 (0.331)	0.219 (0.286)	2.560 (1.917)	1.863 (0.936)	3.438 (0.151)		0.010	9.367	1.244
9	0.701 (0.147)	0.140 (0.188)	1.760 (1.311)	1.146 (0.584)	1.578 (0.071)	2.753 (2.443)*	0.508	9.134	2.241

Notes:

- i. Figures in parenthesis are t-values.
- ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent levels respectively.
- iii. Dividend per share is the dependent variable.

Table 5 shows that the beta coefficients for the board size are positive with dividend per share. It means board size has a positive impact on dividend per share. This finding is consistent with the findings of Bokpin (2011). Likewise, the beta coefficients for female director are positive with dividend per share. This implies that female director has a positive impact on dividend per share. This finding is consistent with the findings of Byoun *et al.* (2016). Similarly, the beta coefficients for independent directors are positive with dividend per share. This indicates that independent directors have a positive impact on dividend per share. This finding is similar to the findings of Abor and Fiador (2015). Likewise, the beta coefficients for operating expenses are positive with dividend per share. It shows that operating expense has a positive impact on dividend per share. This finding is not consistent with the findings of Buallay (2019). In addition, the beta coefficients for total assets are positive with dividend per share indicating that total assets have a positive impact on dividend per share. This finding is similar to the findings of Awad (2015).

4. Summary and conclusion

Dividend payments made to shareholders could be helpful in minimizing agency problems. The goal of corporate governance is to make it simpler to properly oversee and manage business activities. Justice, transparency, and better disclosures to protect the interests of numerous stakeholders are among its key values. Furthermore, it is projected that the company's performance will increase as a result of good decision-making, thanks to corporate governance structures. By ensuring the preservation of shareholders' rights, lowering firm risk, strengthening company reputation, and increasing shareholder value, good corporate governance promotes business performance.

This study attempts to examine the effect of board size, female directors, and number of independent directors, operating expenses, and total assets on dividend payout ratio and dividend per share in Nepalese insurance companies. The study is based on secondary data of 15 insurance companies with 102 observations for the period from 2013/14 to 2021/22.

The study showed that board size, female directors, and number of independent directors, operating expenses, and total assets have a positive impact on dividend payout ratio and dividend per share of the Nepalese insurance companies. Thus, concludes that corporate governance variables affect the dividend policy in Nepalese insurance companies. Moreover, the study showed that female directors in the board followed by number of independent directors in the board and total assets of the company are the

most dominant factors in determining dividend payout ratio of Nepalese insurance companies. Similarly, operating expense followed by total assets of the company and female director in the board are the most influencing factors that explains the changes in dividend per share of Nepalese insurance companies.

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