

Ali R. Almutairi

Husain Y. Alyousef

Kuwait University  
Kuwait

## FAMILY FIRMS AND CASH DIVIDENDS IN KUWAIT

### Key Words

***Family Control; Cash Dividends; Ownership Concentration.***

### Abstract

*The purpose of the paper is to investigate whether family firms have higher or lower cash dividend payouts than nonfamily firms. In addition, it aims to identify the determinants of family firms that distribute cash dividends. Based on a sample of Kuwaiti publicly listed firms over the period 2003-2008, we find that family firms have lower cash dividends than nonfamily firms. This evidence suggests that majority shareholders, i.e., families, tend to extract minority shareholders' wealth, which provides support for the entrenchment hypothesis. Furthermore, results show that older, highly leveraged, and less profitable family firms distribute less cash dividends than younger, lowly leveraged, and more profitable family firms.*

### Introduction

Family-owned businesses dominate most firms around the world (Burkart *et al.*, 2003). For example, in the United States 35 percent of the Standards and Poors 500 firms represents a family stake (Anderson and Reeb 2003). Faccio and Lang (2002) note that 44 percent of Western European firms are run by families. In Argentina, Hong Kong, and Japan, family ownership represents 65 percent, 70 percent, and 5 percent, re-

spectively (La Porta *et al.*, 1999). Even in Kuwait, involvement of families in business is very common. Family stake is significantly present in publicly traded firms. In 2008, nineteen families held on average about 52.5 percent of the shares of 114 KSE-listed firms. Despite the global financial crises in 2008 that caused many KSE-listed firms significant losses (more than 62 billion KD as of June 2008), family stake continued to rise.

For instance, Al-Khorafi family raised its stake in Al Mal Investment Co., and in Gulf Cable & Electronic Industries Co. by 28.49 percent and 11.41 percent, respectively during June 2008.<sup>(1)</sup>

The purpose of the paper is two-fold. First, it tests the impact of family control on dividend payouts of Kuwaiti listed companies. Second, it identifies determinants of family firms that distribute cash dividends. We focus on family firms because families dominate entire industries around the globe and control a wide network of companies via "pyramidal structures and cross-shareholdings," especially in countries with weak legal systems and investor rights protections (Bou-bakri *et al.*, 2010). In addition, family controlled-companies hold highly undiversified portfolios (Anderson and Reeb, 2003), prefer long-term growth opportunities (Nelson, 2003), and plan over longer time horizons (James, 1999) as compared to nonfamily-controlled companies. Also, unlike nonfamily blockholders, family blockholders

enjoy undiluted private control benefits (Ellul *et al.*, 2009).<sup>(2)</sup>

Examining a sample of Kuwaiti publicly listed firms over the period 2003-2008, our evidence indicates that family firms pay lower cash dividends than nonfamily firms. This provides support for the entrenchment hypothesis. Majority shareholders, i.e. families, use their current positions to extract minority shareholders' wealth. We also report evidence on the determinants of cash dividend payouts *within* family firms. Our findings suggest that older, highly leveraged, and less profitable family firms tend to pay lower cash dividends.

We provide new evidence for the impact of a specific type of controlling shareholder on the cash dividend payouts of listed firms in Kuwait. The literature at home shows no attention to the relationship between family control and dividend payments. This study presents new evidence in this research area. The evidence suggests that family firms are reluctant to pay cash dividends, a sign of heterogeneous preferences for dividend payments.

- 
- (1) During the same period, other Kuwait families raised their market stake. For example, Al-Bahar family raised its ownership in National Slaughter House Co., and in International Resorts Co., by 16.01 percent and 4.43 percent, respectively. Also, Bodai family raised its stake in Al Masaken International Real Estate Development Co., by 10 percent.
  - (2) We focus on stock dividends because it is in the best interests of minority shareholders to have cash dividends than capital gains since the latter represents unrealized gain (income) and subject to price fluctuations (see e.g., Xunan, 2011).

This paper proceeds as follows. Section 2 reviews the related literature and presents the hypotheses. In Section 3 we present and discuss data and methodology. Results and analysis are presented in Section 4. Section 5 summarizes and concludes the paper.

## **Literature and Hypotheses Development**

In this section, we briefly describe the Kuwait Stock Exchange (KSE) market and then we develop two opposite predictions regarding the relationship between family control and dividend payouts. Next, we develop hypotheses regarding the determinants of dividend payouts.

### **Kuwait Stock Exchange Market**

The KSE market was officially established in 1983. It is regulated by the government (Ministry of Commerce and Industry, Ministry of Finance, and Central Bank of Kuwait), and KSE market committee. It is one of the largest stock markets in the Middle East in terms of market capitalization. After the year 1991, the KSE went through major reforms including the sale of government owned stock shares in local KSE-listed companies, the emergence of mutual funds, the rise of family and institutional investors as dominant and key players in the KSE market,

and the allowance for foreign investors to own shares in KSE-listed firms. In addition, all listed companies are required to comply with the International Accounting Standards (IASs) reporting requirements. Although it is classified as an emerging market, the KSE is still restricted by numerous factors, such as lack of market makers, prohibition of derivative trading, and short selling. The KSE market is characterized by a non-random walk behavior (Al-Loughani, 1995) and a competitive auction stock system (Butler and Malaikah, 1992).

Since 1999 all listed KSE firms have been required to disclose shareholding percentage of investors who own 5 percent or more of a company's outstanding shares. The KSE update investors with any change in blockholders' ownership through daily announcements on the KSE websites. Companies that delay or fail to provide/update information on the ownership of large investors are subject to various penalties (e.g., hefty fines, temporary suspension, and delisting). Yet, some blockholders intentionally conceal their ownership using multi-methods, such as grouping with other investors and agents, or creating mutual funds.

Unlike US firms, which pay dividends on a quarterly basis, Kuwaiti firms pay dividends once a year. In Kuwait, trading regulations and rules require each KSE-listed firm to hold

its general assembly meeting within 45 days from KSE committees' approval date on its audited annual financial year, and must distribute cash and/or share dividends within the first 10 days from the approval date of the company's general assembly meeting.<sup>(3)</sup>

In Kuwait, many KSE companies are characterized by large share blocks, pyramid ownerships, complicated corporate structures, poor disclosures, low transparency, interlocking directorship, and power concentration in the hands of certain key directors (Capital Standards, 2010). Kuwaiti family firms have strong political connections with the government, which is more pronounced in economics with a high degree of corruption (see e.g., Fisman, 2001). They have access to government resources, government contracts, and favorable rules and legislations.

### **The Interest-Alignment Hypothesis**

Shleifer and Vishny (1986) and Jensen and Meckling (1976) note that the owner-manager conflict can be mitigated through the greater incentives of large shareholders/block holders to monitor managers. The alignment interest hypothesis indi-

cates that concentrated ownership creates greater monitoring of managers by larger shareholders (Demsetz and Lehn, 1985). In addition, large shareholders tend to maximize firm value through engaging in firm policy settings (see e.g., Mitton, 2002). Deng and Wang (2006) report a negative link between ownership concentration and financial distress risk, indicating that large shareholders reduce the possibility of corporate financial distress. Moreover, based on their concentrated ownership, large shareholders use takeover mechanisms to discipline corporate managers (Clyde, 1997). In addition, large shareholders appreciate the merit of information technology (IT) to increase firm efficiency and effectiveness, thereby refraining managers from reducing long-term investment in IT to boost short-term earnings (Barake, 1998). Therefore, the interest-alignment hypothesis suggests that the presence of large shareholders improves shareholder right protection through monitoring. Accordingly, minority shareholders can enjoy private benefits (e.g., dividends) alongside larger shareholders.<sup>(4)</sup>

(3) It should be noted that Kuwait has no taxation rules on all trading activities and dividend payments.

(4) In Holmstorm (1982), because monitoring costs may outweigh benefits, minority shareholders are not willing to spend their limited economic wealth to monitor management. Instead, they rely on the majority shareholders to do so (i.e., free ride problem solution).

Agency theories suggest that families have more incentives to monitor managers than other types of major shareholders such as institutional investors and financial institutions (Anderson and Reeb, 2003).<sup>(5)</sup> This is because families invest their own wealth in the firm and are less diversified (Anders, 2008). Du (2009) finds that the agency costs between family ownership and management are greater than those between majority and minority shareholders, indicating a resolution to the agency conflicts between management and ownership, and a boost to the firm value. In Cadbury (2000), families tend to focus on long-term rather than short-term profitability. Evidence shows that family firms outperform nonfamily firms (Du, 2009; Chu, 2009; Anderson and Reeb, 2003; Burkart *et al.*, 2003; McConaughy *et al.*, 1998). Unlike nonfamily firms, family firms tend to socialize more with their employees (Habbershon and Williams, 1999). By promoting better working environment and building greater trust and higher loyalty among employees, family firms are associated with lower recruitment costs and employee turnover rates (Ward, 1988). Furthermore, family firms tend to be

more productive than nonfamily firms (Barbera and Moores, 2011; Martikainen *et al.*, 2009). In James (1999), family firms invest more efficiently than nonfamily firms because families intend to pass the firm onto their heirs.<sup>(6)</sup> Davis *et al.*, (1997) argue that families are not only motivated by monetary incentives but also by nonmonetary incentives, such as family reputation.

Dividends can serve to minimize agency costs associated with the separation of ownership and control (Setia-Atmaja, 2010; Easterbrook, 1984; Rozeff, 1982; Jensen and Meckling, 1976). La Porta *et al.*, (2000) posits that dividends can limit wealth expropriation of minority interests since they guarantee a pro-rata payout for both controlling and minority shareholders. Xunan (2011) notes that listed firms are more likely to restrain their self-interested behaviors (i.e., protecting investors rights) and build a high reputation for the sake of future capital opportunities. In Easterbrook (1984), public firms pay cash dividends to relieve investors from agency costs. He argues that returning profits to investors, through distributing cash dividends, curtail attempts of misusing cash flow. In emerging markets,

---

(5) Unlike families, institutional investors have much ownership in multiple firms seeking high returns on risky projects. Accordingly, the role of institutional investors in monitoring managers may not be strong (Tufano, 1996).

(6) In the US, the Du Pont family, e.g., has held a substantial equity stake for more than 200 years.

firms with greater monitoring pay higher dividends (Mitton, 2005). For a sample of companies listed on the Swiss exchange, Weisskopf (2010) shows that family firms pay higher dividends than nonfamily firms. Also, Setia-Atmaja *et al.*, (2009) reports similar results for a sample of Australian firms.

Following these arguments, it is possible to say that if ownership concentration is consistent with the alignment hypothesis between management and family, there should be higher dividend payout rates. Put formally, the following hypothesis is presented:

H1a: *Family firms have higher cash dividend payments than nonfamily firms.*

## The Entrenchment Hypothesis

However, large shareholders may use their current control position to extract private benefits at the expense of minority shareholders. A blockholder, e.g., a family, may practice both monitoring and expropriation (Villalonga and Amit, 2006).<sup>(7)</sup> Excessive expropriation will increase investor's

loss of confidence and dump in share securities. Also, it is possible that large shareholders sacrifice their monitoring function to maximize their utility at the expense of the small shareholders' wealth. Besides entrenchment, concentrated ownership leads to economic resources misallocation, and corporate antitakeover, thereby reducing firm value (Fama and Jensen, 1983). The entrenchment effect may be more pronounced in countries with insufficient regulations and laws to protect minority shareholders' private wealth (see e.g., La Porta *et al.*, 1999). In addition, Faccio *et al.*, (2001) indicate that companies operate in countries with weak legal systems are less likely to protect the wealth of minority shareholders.<sup>(8)</sup>

Instead of maximizing firm value, families are likely to maximize their own economic resources (Du, 2009). In Lease *et al.*, (1984), families maximize their wealth through employing control-enhanced systems that expropriate minority shareholders' wealth. In Spain, Gomez *et al.*, (2001) report that managerial entrenchment is greater in family ownership and con-

(7) Entrenchments can be in the form of special dividends, related-party transactions, and excessive compensation.

(8) In 2009, Kuwait ranked as the most corrupt country on the "Corruption Perception Index" (published by Transparency International), the lowest GCC, Gulf Country Council, countries on the "Competitiveness Index" and "Ease of Doing Business Index." Overall, the regulatory environment is weak and the political scenario is unstable in Kuwait, hence discouraging foreign investments and weakening investors' confidence (Capital Standards, 2010).

trol. In terms of market performance, family firms with control-enhanced mechanisms (e.g., dual-class shares) perform worse than nonfamily firms (see, e.g., King and Santor, 2008; Gompers *et al.*, 2007; Chahine, 2007). This poor performance can be attributed to conflicts among family members to manage the firm (Faccio *et al.*, 2001). Burkart *et al.*, (1997) observe a decline in employee' effort and productivity as families act on their behalf.

The literature presents evidence that supports the entrenchment hypothesis and rejects the interest-alignment hypothesis with respect to dividend payouts. In 1994, for example, management of Time Mirror Company stopped paying dividends to all other shareholders but to the Chandler family (see e.g., DeAngelo and DeAngelo, 2000). Gugler and Yurtoglu (2003) report a negative association between ownership concentration and dividend payout of majority-controlled firms in Germany. Similarly, using a large sample of Japanese firms, Harada and Nguyen (2011) find dividend payments decline in ownership concentration. These results suggest that the majority shareholders extract private benefits at the expense of minority shareholders.

Arguably, we can say that if ownership concentration is consistent with the entrenchment hypothesis between

management and family, there should be lower dividend payout rates. Put formally, the following alternative hypothesis is presented:

H1b: *Family firms have lower cash dividend payments than nonfamily firms.*

### **Characteristics of Family Firms Paying Dividends**

Next, we examine those factors that influence family firms when paying cash dividends. Our hypotheses address the ownership percentage, number of families, and all control variables addressed in model 1.

### **Ownership Percentage and Number of Families**

If the entrenchment hypothesis holds, we argue that the greater ownership concentration by families, the less likely family firms to pay cash dividends. As the size of ownership stake (and/or the number of families) increases, family members and managers of family firms are more likely to give themselves perks or any other types of compensation and reduce the taxable profits and the need for cash dividend payouts. Profit distribution would be part of cash dividend payouts or share repurchases. Following the interest-alignment hypothesis, however, suggests a positive relationship. Lager ownership stake and higher number of families enhance control

mechanisms on management, hence protecting wealth of majority and minority shareholders. Therefore, the hypotheses for ownership amounts and number of families are framed as follows:

H2a: *The percentage of family ownership is associated with cash dividend payments.*

H2b: *The number of families is associated with cash dividend payments.*

### **Firm Size**

Prior studies report that firm size is an important determinant of firm policies (Zang, 2004). Firm size is seen as a proxy for agency costs. The larger the firm, the more difficult monitoring will be. Thus, dividends can alleviate the agency costs. Larger firms are more capable of paying dividends than smaller firms (Ho, 2003) because they have easier access to the capital market (Aivazian *et al.*, 2003). In addition, larger family firms are more likely to have strong ties (e.g., business, friendship, or political) with the government, thereby enjoying more privileges to government contracts and projects.<sup>(9)</sup> Xunan (2011) finds a positive link between the size of family firm and dividends. He attributes this

association to maturity and stable development. Therefore, the following hypothesis is formed:

H3: *Firm size is positively associated with cash dividend payments.*

### **Firm Age**

Due to their lengthy history of legacy in business, older family firms tend to promote stability in relationships with employees, key suppliers, creditors, and customers. Accordingly, the performance and future prospects of older firms are likely to be certain, as opposed to younger firms. This argument is supported by Lang (1991), who reports that firms' earnings uncertainty declines in age. Therefore, older family firms are more likely to pay dividends more than younger family firms. The following hypothesis is formed:

H4: *Firm age is positively associated with cash dividend payments.*

### **Firm Profitability**

Shareholders respond favorably to firms that make higher earnings by maintaining or increasing their investment. Baker and Powell (2000) note that the ability of a firm to pay dividends depends on its current earnings. Kowalewski (2007) indicates that firms pay higher dividends when

(9) Members of Big family names like Al-Khorafi family, Al-Ghanim family, and Al-Sager family hold important positions in the government and in the National Assembly of Kuwait, which give them a great opportunity to government benefits, resources, and contracts.

they make more profits and have few investment opportunities. Family firms may tend to maintain their reputation/legacy through enhanced-control mechanisms and strong monitoring, hence performing better performance and generating profits to pay dividends. However, families may extract current earnings from minority shareholders and use these earnings to their own benefits, as suggested by the entrenchment effect. Also, profitable family firms are more likely to secure internal financing through retained earnings than less profitable family firms. Put formally, the relationship between firm profitability and dividends is hypothesized as follows:

H5: *Firm profitability is associated with cash dividend payments.*

### **Firm Leverage**

Prior literature indicates that firms with high liabilities tend not to pay dividends (Aivazian *et al.*, 2003; Jensen *et al.*, 1992). Leveraged firms are more likely to use cash flows to finance their debts. Therefore, they do not have to pay cash dividends to shareholders. Also, controlling shareholders can use debt to smooth entrenchment activities. Debt can help controlling shareholders inflate their voting power and diminish the market discipline for corporate control (Harris and Raviv, 1988). However, Chang

and Rhee (1990) report a positive relationship between debt and dividends. In addition, Xunan (2011) reports that family firms with high debt ratio are more likely to pay dividends. It is possible that family firms like to keep their legacy of being friendly and loyal to their shareholders and maintain the confidence of shareholders. Hence, we formally hypothesize the relationship between family firms' leverage and cash dividends as follows:

H6: *Firm leverage is associated with cash dividend payments.*

### **Firm Cash Holdings**

Firm cash holdings provide more evidence on the use of the corporate cash flows. A decline in the level of cash holdings may arise from excessive expenditure on investment projects. The benefit of cash holding is that firms do not have to liquidate assets to finance their activities and investments. Firms with concentrated ownership tend to enjoy lower cash holdings (Dittmar *et al.*, 2003). Cash dividend payments reduce free cash flow and force management for capital financing from the market, exposing them to strict monitoring by the market. Therefore, it is likely that families enhance their monitoring to make sure that management uses cash properly for project financing. On the other hand, cash holdings may be

viewed as maximizing shareholders' wealth, especially the controlling shareholders'. Hence, the following hypothesis is suggested:

*H7: Cash holdings are negatively associated with cash dividend payments.*

### Data and Methodology

Data used for this study covers six years, 2003-2008. A file on family ownership data is obtained from the website of Aljoman Center for Economic Consultancy, which contains 150 firm-year observations.<sup>(10)</sup> Information on cash dividend payouts is retrieved from the Institute of Banking Studies (ISB), and financial data is downloaded from the website of the KSE. Our initial sample contains the entire population of listed companies at the KSE. To test *H1*, a matching sample of 149 firm-year observations is identified. The matching process is based on industry and total assets for each sample year.<sup>(11)</sup> Table 1 panels A and B summarize the distribution of observations across KSE sectors and years, respectively.

Panel A of table 1 summarizes the distribution of observations across the KSE sectors.<sup>(12)</sup> Family ownership appears to be concentrated in the investment sector. Panel B of the same table summarizes the distribution of observations across the sample period. Steady and consistent patterns of family ownership are obvious throughout the years of the study.

To validate the matching procedure, a statistical comparison is conducted between total assets of the family firms sample and that of the control sample. The comparison is conducted using a paired t-test on mean differences of total assets. Table 2 shows the results of the test of mean differences in terms of size as captured by total assets. The results validate the matching procedures since there are no significant mean differences; the reported t-value is 0.45 and p-value of 0.39.

To test *H2 - H7*, we consider the family firms sample only. To strengthen the results of the study, a filtration process is carried out based on three criteria a firm needs to meet in order to be included in the sample. First, firms

(10) Ownership data for the years prior to 2003 is not available by Aljoman Center.

(11) One firm could not be matched in the food industry (Stk 7xx).

(12) As noted in panel A, observations from the non-Kuwaiti sectors are not present in the study. We could not find any information about the ownership structure in this sector, which might be attributed to the lack of disclosure by this sector. Still, we believe that collected observations represent most sectors on the market, which increase the external validity of this study.

**Table 1**  
**Sample Distribution**

**Panel (A) Distribution by Industry**

| Industry     | Industry No. | Total Observations | Percentage (%) |
|--------------|--------------|--------------------|----------------|
| Banking      | 1            | 24                 | 8              |
| Investment   | 2            | 106                | 35.5           |
| Insurance    | 3            | 24                 | 8              |
| Real Estate  | 4            | 38                 | 12.7           |
| Industrial   | 5            | 72                 | 24.1           |
| Service      | 6            | 32                 | 10.7           |
| Food         | 7            | 3                  | 1              |
| <b>Total</b> |              | <b>299</b>         | <b>100</b>     |

**Panel (B) Distribution by Year**

| Year         | Frequency  | Percentage |
|--------------|------------|------------|
| 2003         | 46         | 15.4       |
| 2004         | 46         | 15.4       |
| 2005         | 50         | 16.7       |
| 2006         | 50         | 16.7       |
| 2007         | 56         | 18.7       |
| 2008         | 51         | 17.1       |
| <b>Total</b> | <b>299</b> | <b>100</b> |

with missing information on cash holdings are excluded. Second, the age of each firm at the time of the study should exceed one year. Last, firms that have reported losses on the year of the study are dropped out. This filtration process reduces the usable sample from 150 to 105 firm-year observations.

As for the dependent variable, cash dividend payout (hereafter, *CashPay-Out*), it is defined as cash dividends per

share scaled by earning per share (EPS) at year-end (Wei *et al.*, 2011). The independent variable, family ownership, (hereafter, *Family*), is a categorical variable that takes a value of one if a company is classified as family, and zero otherwise. We rely on Aljoman Centers definition of family firms, where a firm is classified as family when one or more family member(s) establish(es) the firm, hold(s) a

**Table 2**  
**Matching Comparison Family and Nonfamily Firms**

|                     | Sample                     | Mean        | Standard<br>Deviation | Paired<br>t-test (n) | Mean<br>Difference | t-Value | p-Value |
|---------------------|----------------------------|-------------|-----------------------|----------------------|--------------------|---------|---------|
| <b>Total Assets</b> | <b>Family<br/>Firms</b>    | 362279.32   | 840119.42             | 150                  |                    |         |         |
|                     | <b>Nonfamily<br/>Firms</b> | 321756.7315 | 713482.36             | 149                  | 40522.59           | 0.45    | 0.39    |

substantial stock ownership (20 percent or more), and set(s) on the board of directors.<sup>(13)</sup>

We control for firm size, age, profitability, leverage, cash holdings, year and industry effects. Firm size, *Size*, is defined as the natural logarithm of total assets. The age of the firm, *Age*, is measured as the natural logarithm of the difference in days between the KSE listing date of the firm and the sample date. *Profitability* is calculated as net income divided by total equity (i.e., ROE). *Leverage*, financial leverage, is computed as total assets scaled by total liabilities. *Year* and *Industry* are indicators of year and industry effects, respectively.

Therefore, the following model is designed to test *H1*. The main variable of interest is *Family*, which clusters firms into family firms (treatment sample) or nonfamily firms (matching sample):

$$\begin{aligned} \text{CashPayOut}_i = & a + b_1 \text{Family}_i + b_2 \text{Size}_i + b_3 \text{Age}_i \\ & + b_4 \text{Profitability}_i + b_5 \text{Leverage}_i + b_6 \text{CashHoldings}_i \\ & + b_{7-12} \text{Year}_{1-6} + b_{13-19} \text{Industry}_{1-7} + e \end{aligned} \quad (1)$$

Where:

**CashPayOut:** Cash dividends per share divided by earnings per share.

**Family:** A categorical variable equals one if a firm is classified as family, and zero otherwise.

(13) The literature on family firms lacks consensus on the definition of a family firm. Lansberg (1999) and Shanker and Astrachan (1996), for example, view family firms as organizations controlled and run by multiple family members. In McConaughy *et al.*, (1998), a family firm is a business managed by a member of the founding family. Others require ownership of a fraction of the firm shares and serving on the board of directors by a founding family member as two criteria to define a firm as a family firm (e.g., Barth *et al.*, 2005, Anderson and Reeb, 2003, Cronqvist and Nilsson, 2003).

- Size:** The natural logarithm of total assets.
- Age:** The natural logarithm of firm age, where firm age is the difference in days between the listing date and the sample date.
- Profitability:** Proxied by return on equity (ROE), where ROE is measured as net income divided by total equity.
- Leverage:** Total liabilities scaled by total assets.
- CashHoldings:** Cash and cash equivalent divided by total assets.
- Year:** A set of categorical variables to control for the year effect.
- Industry:** A set of categorical variables to control for the industry effect across seven KSE industries.

Hypotheses two through seven (*H2*, *H3*, *H4*, *H5*, *H6* & *H7*) depict the determinants of cash dividend payouts among family firms. We examine the relationship between cash dividend ratio and six firm characteristics: family control, firm size, age, profitability, leverage, and cash holdings. Two proxies are used to measure family control: total ownership of families, *FamilyHoldings*, and number of families in each listed firm, *No. Families*. *FamilyHoldings* examines

the total impact of family control on cash dividend payouts, while *No.Families* measures the impact of multiple families on the cash payout. The following model is used to test *H2-H7*:

$$\begin{aligned} \text{CashPayOut}_i = & a + b_1 \text{FamilyHoldings}_i + b_2 \text{No.Families}_i \\ & + b_3 \text{Size}_i + b_4 \text{Age}_i + b_5 \text{Profitability}_i + b_6 \text{Leverage}_i \\ & + b_7 \text{CashHoldings}_i + e \end{aligned} \quad (2)$$

Where:

**CashPayOut:** Cash dividends per share divided by earnings per share.

**FamilyHoldings:** Total shares held by families as a percentage of the total outstanding shares.

**No.Families:** Number of families.

**Size:** The natural logarithm of total assets.

**Age:** The natural logarithm of firm age, where firm age is the difference in days between the listing date and the sample date.

**Profitability:** Proxied by return on equity (ROE), where ROE is measured as net income divided by total equity.

**Leverage:** Total liabilities scaled by total assets.

CashHoldings: Cash and cash equivalent divided by total assets.

Model 2a and 2b below are developed to test separately the individual effect of the two family control variables: *FamilyHoldings* and *No.Families*, respectively.

$$\begin{aligned} \text{CashPayOut}_i = & a + b_1 \text{FamilyHoldings}_i + b_2 \text{Size}_i \\ & + b_3 \text{Age}_i + b_4 \text{Profitability}_i + b_5 \text{Leverage}_i \\ & + b_6 \text{CashHoldings}_i + e \end{aligned} \quad (2a)$$

$$\begin{aligned} \text{CashPayOut}_i = & a + b_1 \text{No.Families}_i + b_2 \text{Size}_i \\ & + b_3 \text{Age}_i + b_4 \text{Profitability}_i + b_5 \text{Leverage}_i \\ & + b_6 \text{CashHoldings}_i + e \end{aligned} \quad (2b)$$

## Results and Analyses

### Descriptive Statistics

Table 3 provides descriptive statistics for both family and nonfamily-samples. The table shows descriptive statistics for the cash payout, leverage, profitability, total assets, cash holdings, and firm age. The table indicate that there are no differences between the mean and medians for both subsamples and the total sample. For example, the mean (median) for the leverage in the total sample is 0.45 (0.46), while the mean (median) for the family and the match subsamples is 0.47 (0.48) and 0.42 (0.43), respectively. As for the age variable, the mean and the median equal to ap-

proximately 10 years for the entire sample and also for each subsample. Table 3 also includes descriptive statistics for the distribution of other variables of interest. The main conclusion from this table is that variables are not skewed based on the difference between the median and the mean of each variable.

### Results

Table 4 shows Pearson correlation two-tail test. The results indicate that family firms pay lower cash dividends than nonfamily firms, which provides preliminary support for the entrenchment hypothesis (p-value 0.04). No similar significant relationship is observed for cash payout and the other variables. However, a significant relationship is observed among the independent variables, *Profitability* and *Leverage*, *Size* and *Family*, *Size* and *Leverage*, and *Profitability* and *Size*, which may indicate a multicollinearity problem. A VIF test for multicollinearity reveals that all values are below 10, which rules out any multicollinearity problem (result are not tabulated). Also, the correlation coefficients are very small, except for *Leverage* and *Size*, which is equal to 0.75.<sup>(14)</sup>

(14) *Year* and *Industry* indicators show no significant relationship with *CashPayOut*.

**Table 3**  
**Descriptive Statistics**

| Sample    |           | CashPay-<br>Out | Leverage | Profitability | Total Assets | CashHold-<br>ings | Age   |
|-----------|-----------|-----------------|----------|---------------|--------------|-------------------|-------|
| Family    | N         | 150             | 150      | 150           | 150          | 150               | 150   |
| Firms     | Mean      | 0               | 0.47     | 0.07          | 362279.3     | 0.11              | 9.02  |
|           | Median    | 0               | 0.48     | 0.08          | 95732.5      | 0.04              | 6     |
|           | Minimum   | 0               | 0.02     | -0.76         | 4228         | 0                 | 0     |
|           | Maximum   | 0.01            | 0.99     | 0.35          | 5082909      | 5.63              | 24    |
|           | Std. Dev. | 0               | 0.24     | 0.13          | 840119.4     | 0.46              | 8.13  |
| NonFamily | N         | 146             | 149      | 149           | 149          | 144               | 148   |
| Firms     | Mean      | 0               | 0.42     | 0.09          | 321756.7     | 0.13              | 10.76 |
|           | Median    | 0               | 0.43     | 0.09          | 91899        | 0.07              | 9     |
|           | Minimum   | 0               | 0.01     | -0.81         | 2852         | 0                 | 0     |
|           | Maximum   | 0.04            | 0.89     | 0.8           | 4306651      | 3.78              | 24    |
|           | Std. Dev. | 0.01            | 0.23     | 0.21          | 713482.4     | 0.33              | 9.04  |
| Total     | N         | 296             | 299      | 299           | 299          | 294               | 298   |
| Sample    | Mean      | 0               | 0.45     | 0.08          | 342085.8     | 0.12              | 9.89  |
|           | Median    | 0.              | 0.46     | 0.08          | 94406        | 0.05              | 7     |
|           | Minimum   | 0               | 0.01     | -0.81         | 2852         | 0                 | 0     |
|           | Maximum   | 0.04            | 0.99     | 0.8           | 5082909      | 5.63              | 24    |
|           | Std. Dev. | 0               | 0.24     | 0.18          | 778545.1     | 0.4               | 8.62  |

CashPayOut: Cash dividends per share divided by earnings per share.

Leverage: Total liabilities divided by total assets.

Profitability: Proxied by return on equity (ROE), where ROE is measured as net income divided by total equity.

Total Assets: Total assets in 1000 K.D.

Cashholdings: Cash owned by the firm scaled by total assets.

Age: Firm age measured as the difference between the dividend date and the listing date of the firm.

Table 5 reports the results for regression model 1.<sup>(15)</sup> Results reveal that there is a negative significant relationship between family control

and cash dividends. The family variable exhibits significant results at p-value less than 0.05. This evidence suggests that family firms have lower cash dividend payouts than nonfamily

(15) Our sample is reduced to 288 firm-year observations due to missing information on *CashPay-Out* and *CashHoldings*.

**Table 4**  
**Pearson Correlation**

| Variable      | Cash Payout | Family  | Size    | Age     | Profitability | Leverage |
|---------------|-------------|---------|---------|---------|---------------|----------|
| Family        | -0.12**     |         |         |         |               |          |
|               | -0.04       |         |         |         |               |          |
| Size          | -0.14       | 0.02    |         |         |               |          |
|               | -0.8        | -0.79   |         |         |               |          |
| Age           | 0           | -0.13** | 0.49*** |         |               |          |
|               | -0.99       | -0.03   | 0       |         |               |          |
| Profitability | 0.32        | -0.07   | -0.09*  | -0.046  |               |          |
|               | -0.59       | -0.19   | -0.09   | -0.44   |               |          |
| Leverage      | -0.02       | 0.09*   | 0.75*** | 0.31*** | -0.17***      |          |
|               | -0.65       | -0.09   | 0       | 0       | 0             |          |
| CashHoldings  | -0.02       | -0.02   | -0.02   | -0.02   | 0.02          | -0.07    |
|               | -0.69       | -0.73   | -0.69   | -0.69   | -0.79         | -0.19    |

\* Significant at the (0.10) level., \*\*Significant at the (0.05) level, \*\*\*Significant at the (0.01) level. A two-tailed p-values are presented in parentheses. Indicator variables for years (*YEAR*) and industries (*INDUSTRY*) are included in the analysis but not tabulated. Results show no significant link to *CashPayOut*.

CashPayOut: Cash dividends per share divided by earnings per share.

Family: A categorical variable equals one if a firm is classified as family, and zero otherwise.

Size: The natural logarithm of total assets.

Age: The natural logarithm of the difference in days between the listing date and the sample date.

Profitability: Proxied by return on equity (ROE), where ROE is measured as net income divided by total equity.

Leverage: Total liabilities scaled by total assets.

CashHoldings: Cash and cash equivalent divided by total assets.

firms, which supports the entrenchment hypothesis.

However, in terms of other firm characteristics that impact cash dividends, only the *Age* variable is found to be negative and significant with p-value less than 0.05. That is, as firms grow, their chance of distributing cash divi-

dends decreases. This finding is not in line with our predictions. The results, however, are insignificant for *Size*, *Profitability*, *Leverage*, and *CashHoldings*. The overall results reported in table 5 provide strong evidence supporting H1b and complement the find-

**Table 5**  
**Regression Results**

| $\text{CashPayOut}_i = a + b_1\text{Family}_i + b_2\text{Size}_i + b_3\text{Age}_i + b_4\text{Profitability}_i + b_5\text{Leverage}_i + b_6\text{CashHoldings}_i + b_{7-12}\text{Year}_{1-6} + b_{13-19}\text{Industry}_{1-7} + e \quad (1)$ |                      |                    |                   |                             |                        |                            |                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------|-------------------|-----------------------------|------------------------|----------------------------|-------------------------|
|                                                                                                                                                                                                                                              | $b_1\text{Family}_i$ | $b_2\text{Size}_i$ | $b_3\text{Age}_i$ | $b_4\text{Profitability}_i$ | $b_5\text{Leverage}_i$ | $b_6\text{CashHoldings}_i$ |                         |
| Predicted Sign                                                                                                                                                                                                                               | (?)                  | (+)                | (+)               | (?)                         | (?)                    | (-)                        | N = 288                 |
| Coefficient                                                                                                                                                                                                                                  | -0.138**             | 0.07               | -0.165**          | 0.032                       | -0.027                 | -0.028                     | Adj R <sup>2</sup> = 5% |
| t-Value                                                                                                                                                                                                                                      | -2.322               | 0.456              | -2.141            | 0.508                       | -0.275                 | -0.442                     |                         |
| p-value                                                                                                                                                                                                                                      | 0.02                 | 0.65               | 0.03              | 0.61                        | 0.783                  | 0.66                       |                         |

\*\*Significant at the (0.05) level, \*\*\*Significant at the (0.01) level. Indicator variables for years (*YEAR*) and industries (*INDUSTRY*) are included in the analysis but not tabulated. Results show no significant impact on CashPayOut.

CashPayOut: Cash dividends per share divided by earnings per share.  
 Family: A categorical variable equals one if a firm is classified as family, and zero otherwise.  
 Size: The natural logarithm of total assets.  
 Age: The natural logarithm of firm age, where firm age is the difference in days between the listing date and the sample date.  
 Profitability: Proxied by return on equity (ROE), where ROE is measured as net income divided by total equity.  
 Leverage: Total liabilities scaled by total assets.  
 CashHoldings: Cash and cash equivalent divided by total assets.  
 Year: A set of categorical variables to control for the year effect.  
 Industry: A set of categorical variables to control for the industry effect across seven KSE industries.

ings from the correlation matrix reported by Table 4.

Table 6 reveals the results for *H2* through *H6*. Panel A shows the results of the effect of both family ownership variables: *FamilyHoldings* and *No.Families*, as stated in regression model 2. Results reveal that *FamilyHoldings* and *No.Families* are not associated

with cash dividends.<sup>(16)</sup> Before we make any conclusion regarding this result as shown in panel A of table 6, we rerun regression model 2 after dropping out *No.Families* from the model, as indicated by regression model 2a. In addition, we rerun regression equation 2 after including *No.Families* and excluding *Family-*

(16) Warred *et al.*, (2012) also show no impact of family ownership on cash dividend policy.

Table 6  
Regression Results

| Panel (A)<br>$CashPayOut_i = a + b_1FamilyHoldings_i + b_2No\_Families_i + b_3Size_i + b_4Age_i + b_5Profitability_i + b_6Leverage_i + b_7CashHoldings_i + e$<br>(2) |                       |                     |             |                      |                      |                     |                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------|-------------|----------------------|----------------------|---------------------|--------------------------|
|                                                                                                                                                                      | $b_1FamilyHoldings_i$ | $b_2No\_Families_i$ | $b_3Size_i$ | $b_4Age_i$           | $b_5Profitability_i$ | $b_6Leverage_i$     | $b_7CashHoldings_i$      |
| Predicted Sign                                                                                                                                                       | (?)                   | (?)                 | (+)         | (+)                  | (?)                  | (?)                 | (-)                      |
| Coefficient                                                                                                                                                          | -0.001                | 0.001               | 0           | -0.001*              | -0.001***            | -0.001**            | 0.001                    |
| t-Value                                                                                                                                                              | -0.59                 | 1.06                | 0.33        | -1.76                | -2.85                | -1.95               | 0.92                     |
| p-value                                                                                                                                                              | 0.55                  | 0.29                | 0.74        | 0.08                 | 0                    | 0.05                | 0.35                     |
| Panel (B)<br>$CashPayOut_i = a + b_1FamilyHoldings_i + b_2Size_i + b_3Age_i + b_4Profitability_i + b_5Leverage_i + b_6CashHoldings_i + e$<br>(2a)                    |                       |                     |             |                      |                      |                     |                          |
|                                                                                                                                                                      | $b_1FamilyHoldings_i$ | $b_2Size_i$         | $b_3Age_i$  | $b_4Profitability_i$ | $b_5Leverage_i$      | $b_6CashHoldings_i$ |                          |
| Predicted Sign                                                                                                                                                       | (?)                   | (+)                 | (+)         | (?)                  | (?)                  | (-)                 | N = 105                  |
| Coefficient                                                                                                                                                          | 0                     | 0                   | -0.001*     | -0.001***            | -0.001**             | 0.002               |                          |
| t-Value                                                                                                                                                              | 0.58                  | 4.65                | -1.67       | -3.01                | -2.01                | 1.39                | Adj R <sup>2</sup> = 14% |
| p-value                                                                                                                                                              | 0.56                  | 0.51                | 0.09        | 0                    | 0.05                 | 0.17                |                          |

Cont. Table 6  
Regression Results

| Panel (C)                                                                                                               |                   |             |           |                    |                |                    |
|-------------------------------------------------------------------------------------------------------------------------|-------------------|-------------|-----------|--------------------|----------------|--------------------|
| $CashPayOut_i = a + b_1No.Families + b_2Size_i + b_3Age_i + b_4Profitability_i + b_5Leverage_i + b_6CashHoldings_i + e$ |                   |             |           |                    |                |                    |
| (2b)                                                                                                                    |                   |             |           |                    |                |                    |
|                                                                                                                         | $b_1No.Families,$ | $b_2Size_i$ | $b_3Age,$ | $b_4Profitability$ | $b_5Leverage,$ | $b_7CashHoldings,$ |
| Predicted Sign                                                                                                          | (?)               | (+)         | (+)       | (?)                | (?)            | (-)                |
| Coefficient                                                                                                             | 0.001             | 0           | -0.002*   | -0.001***          | -0.001**       | 0.001              |
| t-Value                                                                                                                 | 1.06              | 0.48        | -1.7      | -3.01              | -2.08          | 1.06               |
| p-value                                                                                                                 | 0.3               | 0.63        | 0.09      | 0                  | 0.04           | 0.7                |

\* Significant at the (0.10) level. \*\*Significant at the (0.05) level. \*\*\*Significant at the (0.01) level.Indicator variables for years (*YEAR*) and industries (*INDUSTRY*) are included in the analysis but not tabulated. Results show no significant impact on CashPayOut.

CashPayOut: Cash dividends per share divided by earnings per share.

FamilyHoldings: Total shares held by families as a percentage of the total outstanding shares.

No.Families: Number of families.

Size: The natural logarithm of total assets.

Age: The natural logarithm of the difference in days between the listing date and the sample date.

Profitability: Proxied by return on equity (ROE), where ROE is measured as net income divided by total equity.

Leverage: Total liabilities scaled by total assets.

CashHoldings: Cash and cash equivalent divided by total assets.

*Holdings* (see regression model 2b). Panels B and C of the same table report the results for regression models 2a and 2b, respectively. In line with results shown in panel A of table 6, the results reported in panels B and C of the same table indicate no impact of *FamilyHoldings* or *No.Families* on cash dividend ratio. It is possible that families sharing control over their firms have different preferences and attitudes toward cash dividend distributions.

No relationship between *Size* and *CashPayOut* is reported. This can be due to the highly correlation between *Size* and *Leverage* as indicated by Table 4. Therefore, *H3* is not supported. Table 6 also shows a significant relationship between *Age* and *CashPayOut* at p-value less than 0.10. This relationship, however, is negative. This finding is not in line with our predictions for *H3*. The same results for the *Age* continue to be consistent in panels B and C of table 6, respectively. These results are consistent with those reported in table 5.<sup>(17)</sup> Therefore, younger family firms tend to pay more cash dividends than older family firms. Our explanation is that younger family firms may tend to build a reputation among investors and other capital providers through

cash dividend payouts. By doing so, they are likely to attract more capital providers and continue to grow.

*Profitability* is found to be negatively and significantly associated with cash dividends at p-value less than 0.01. In other words, family firms with high level of profits pay less cash dividends than family firms with low level of profits. One possible explanation is that families in highly profitable firms may extract profits from minority than families in lowly profitable firms. Another explanation is that highly profitable family firms use a great portion of current earnings to finance their debts, activities and/or projects.

As for the relationship between *Leverage* and *CashPayOut*(*H5*), the results show a negative and significant relationship at p-value level less than 0.05. That is, family firms with higher debts pay less cash dividends than family firms with lower debts. The results are consistent across the three statistical models 2, 2a, and, 2b, as reported respectively in panels A, B, and C of table 6. Highly leveraged family firms are likely to use their current earnings to pay their debts. Last, the association between *CashHoldings* and *CashPayOut*(*H7*) is not

(17) *Age* is also measured as the natural logarithm of the difference in days between the incorporation date of a firm and the sample date. Results, however, remain the same.

statistically significant. The results indicate no statistical relationship.

## Conclusion

This study reviews the literature on cash dividend payouts and identifies the need for such study to examine the Kuwaiti Stock Exchange. It adds to the prior cash dividend research in Kuwait because, to our knowledge, this is the first study to investigate this issue. In this study, we develop two groups of hypotheses. The first group examines whether there is a difference between family-owned firms and nonfamily-owned firms with regard to cash dividends. The results indicate that family-owned firms pay lower cash dividends than nonfamily-owned firms.

The second group of hypotheses examines the characteristics among

family-owned firms that may distribute cash dividends. The results show that firm age, leverage, and profitability have an impact on cash dividends of a family firm. All these three variables are associated negatively with cash dividends. Family firms that are older, highly leveraged, and less profitable pay lower cash dividends than family firms that are younger, lowly leveraged, and more profitable.

Due to data availability, the study has two limitations. First, we cover six years only; it would have been better to have access to more years to cover in this study. Second, corporate governance characteristics would definitely add to the findings of this study if they were examined. Future research should consider these limitations.

## References

- Al-Loughani, N. E. 1995. Random Walk in Thinly Traded Stock Markets: The Case of Kuwait. *Arab Journal of Administrative Sciences*, 3 (1): 189-209.
- Anderson, R. C., and Reeb, D. M. 2003. Founding-Family Ownership and Firm Performance: Evidence from The S & P 500. *Journal of Finance*, [Issue & Volume] 1301-1328.
- Andres, C. 2008. Large Shareholders and Firm Performance: An Empirical Examination of Founding Family Ownership. *Journal of Corporate Finance*, 14: 431-445.
- Aivazian, V., Booth, L., and Cleary, S. 2003. Do Emerging Market Firms Follow Different Dividend Policies from U.S. Firms? *Journal of Financial research*, 26 (3): 371-387.
- Baker, H., and Powell, G. 2000. Determinants of Corporate Dividend Policy: A Survey of NYSE Firms. *Financial Practice And Education*, 9: 29-40.

- Barake, Z. A. 1998. An Empirical Investigation of the Relationship between Institutional Ownership and Information Technology. *Information Journal of Physical Distribution & Logistics Management*, 28 (9/10): 716-723.
- Barbera, F., and Moores, K. 2011. The Impact of Family Involvement on the Productivity of the Firm. Working Paper.
- Barth, E., Gulbrandsen, T., Schone, P. 2005. Family Ownership and Productivity: The Role of Owner-Management. *Journal of Corporate Finance*, 11 (1/2), 107-127.
- Boubakri, N., Guedhami, O., and Mishra, D. 2010. Family Control and The Implied Cost of Equity: Evidence before and after the Asian Financial Crisis. *Journal of International Business Studies*, 41: 451-474.
- Burkart, M., Gromb, D., and Panunzi F. 1997. Large Shareholders, Monitoring, and the Value of the Firm. *Quarterly Journal of Economics*, 112: 693-728.
- Burkart, Punuzi, P., and Shleifer, A. 2003. Family Firms. *The Journal of Finance*[issue & volume]: 2167-2202.
- Butler, K. C. and Malaikah, S. J. 1992. Efficiency and Inefficiency in Thinly Traded Stock Markets: Kuwait and Saudi Arabia. *Journal of Banking and Finance*, 16 (1): 197-210.
- Cadbury, A. 2000. Family Firms and their Governance: Creating Tomorrow's Company From Today's. Egon Zehnder International. [http://biblioferrersalat.com/media/documentos/family\\_firms.pdf](http://biblioferrersalat.com/media/documentos/family_firms.pdf)
- Capital Standards. 2010. CSRs Corporate Governance Code-Kuwait: Principles & Recommended Best Practices for Public Companies (April): 1-27.
- Chahine, S. 2007. Block-Holder Ownership, Family Control and Post-Listing Performance of French IPOs. *Managerial Finance*, 33 (6): 388-400.
- Chu, W. 2009. The Influence of Family Ownership on SME Performance: Evidence from Public Firms in Taiwan. *Small Bus Econ*, 33: 353-373.
- Clyde, P. 1997. Do Institutional Shareholders Policy Management? *Managerial and Decision Economics*, 18 (1): 1-10.
- Cronqvist, H., Nilsson, M. 2003. Agency Costs of Controlling Minority Shareholders. *Journal of Financial and Quantitative Analysis*, 38: 695-719.
- Davis, J. Schoorman, D., and Donaldson, L. 1997. Toward a Stewardship Theory of Management. *Academic Management Review*, 22: 20-47.
- DeAngelo, H., and DeAngelo, L. 2000. Controlling Shareholders and Disciplinary Role of Corporate Payout Policy: A Study of the Time Mirror Company. *Journal of Financial Economics*, 56: 153-207.
- Demsetz, H., and Lehn K. 1985. The Structure of Corporate Ownership: Causes and Consequences. *Journal of Political Economy*, 93: 1155-1177.
- Deng, X., and Wang, Z. 2006. Ownership Structure and Financial Distress: Evidence from Public-Listed Companies in China. *International Journal of Management*, 23 (3): 486-502.

- Dittmar, A., Mahrt-Smith, J., and Servaes, H. 2003. Corporate Liquidity. *Journal of Financial and Quantitative Analysis*, 38: 11-134.
- Du, H. 2009. Does Family Ownership Create or Destroy Value? Evidence from Canada. *PhD Dissertation. Concordia University.*
- Easterbrook, F. H. 1984. Two Agency-Cost Explanations of Dividends. *American Economic Review*, 74 (4): 220-230.
- Faccio, M., Lang, L., and Young, L. 2001. Dividends and Expropriation. *American Economic Review*, 91(1): 54-78.
- Faccio, and Lang, L. 2002. The Ultimate Ownership of Western European Corporations. *Journal of Financial Economics*, 65: 365-395.
- Ellul, A., Guntay, L., and Lel, U. 2009. Blockholders, Debt Agency Costs and Legal Protection, FRB International Finance Discussion Paper No. 908, Available At SSRN: <http://ssrn.com/abstract174687371>.
- Fama, E. F., and Jensen, M. C. 1983. Separation of Ownership and Control. *Journal of Law and Economics*, 26 (2): 301-325.
- Fisman, R. 2001. Estimating the Value of Political Connections. *American Economic Review*, 91 (4) 1095-110.
- Gomez, L., Manuel, N., and Gutierrez, I. 2001. The Role of Family Ties in Agency Contracts. *Academy of Management Journal*, 44:81-95.
- Gompers, P. A., Ishii, J. L., and Matrick, A. 2007. Extreme Governance: An Analysis of the U.S. Dual Class Companies in the United States. *Working Paper.* Harvard University
- Gugler, K., and Yurtoglu, B. 2003. Corporate Governance and Dividend Pay-Out Policies in Germany. *European Economic Review*, 47: 731-758.
- Habbershon, T. G., and Williams, M. L. 1999. A Resource-Based Framework for Assessing the Strategic Advantage of Family Firms. *Family Business Review*, 12 (1): 1-25.
- Harada, K., and Nguyen, P. 2011. Ownership Concentration and Dividend Policy in Japan. *Managerial Finance*, 37 (4): 362-379.
- Ho, H. 2003. Dividend Policies in Australia and Japan. *International Advances in Economic Research*, 9 (2): 91-100.
- Holmstrom, B. 1982. Moral Hazard In Teams. *Bell Journal Of Economics*, 13: 324-340.
- James, H. 1999. Owner as Manager: Extended Horizons and the Family Firm. *International Journal of the Economics of Business*, 6: 41-56.
- Jensen, M.C., Meckling, W. 1976. Theory of the Firm: Managerial Behavior: Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3: 305-360.
- Jensen, G., Solberg, D., and Zorn, T. 1992. Simultaneous Determination of Insider Ownership, Debt and Dividend Policies. *Journal of Financial And Quantitative Analysis*, 27 (2): 247-263.
- King, M. R., and Santor, E. 2008. Family Values: Ownership Structure, Performance and Capital Structure.

- Journal of Banking And Finance*, 32: 2423-2432.
- Kowalewski, O., Stetsyuk, I. and Talavera, O. 2007. Corporate Governance and Dividend Policies. *Working Paper*. German Institute for Economic Research.
- Lang, M. 1991. Time-Varying Stock Price Response of Earnings Induced by Uncertainty about the Time-Series Process of Earnings. *Journal of Accounting Research*, 29 (2): 229-257.
- Lansberg, I., 1999. *Succeeding Generations*. Harvard Business School Press, Boston, MA.
- La Porta, R., Lopez-de-Silanes, F., and Shleifer, A. 1999. Corporate Ownership Around The World. *Journal of Finance*, [issue & volume]: 471-518.
- Lease, R. C., McConnell, J. J., and Mikkelson, W. H. 1984. The Market Value of Differential Voting Rights in Closely-held Corporations. *Journal of Business*, 57: 443-467.
- Martikainen, M., Nikkinen, J., and Vähämaa, S. 2009. Production Functions and Productivity of Family Firms: Evidence from the S & P 500. *The Quarterly Review of Economics and Finance*, 49 (2): 295-307.
- McConaughy, D.L., Walker, M.C., Henderson Jr., G.V., Mishra, C. S. 1998. Founding Family Controlled Firms: Efficiency and Value. *Review of Financial Economics*, 7: 1-19.
- Mitton, T. 2002. A Cross-Firm Analysis of the Impact of Corporate Governance on the East Asian Financial Crises. *Journal of Financial Economics*, 64: 215-241.
- Nelson, T. 2003. The Persistence of Founder Influence: Management, Ownership, and Performance Effects at Initial Public Offering. *Strategic Management Journal*, 24 (8): 707-724.
- Rozeff, M. S. 1982. Growth Beta and Agency Costs as Determinants of Dividend Payout Ratios. *Journal of Financial Research*, 5 (3): 249-259.
- Setia-Atmaja, L., Tanewski, G., Skully, M. 2009. The Role of Dividends, Debt and Board Structure in the Governance of Family Controlled Firms. *Journal of Business Finance & Accounting*, 36: 863-898.
- Setia-Atmaja, L., Tanewski, G., Skully, M. .2010. Dividend and Debt Policies of Family Controlled Firms: The Impact of Board Independence. *International Journal of Managerial Finance*, 6 (2): 128-142.
- Shanker, M.C., Astrachan, J.H. 1996. Myths and Realities: Family Businesses Contribution to US Economy - A Framework for Assessing Family Business Statistics. *Family Business Review*, 9 (2), 107-123.
- Shleiver, A., and Vishny R. 1986. Large Shareholders and Corporate Control. *Journal of Political Economy*, 94: 461-488.
- Tufano, P. 1996. Who manages risk? An Empirical Examination of Risk Management Practices in the Gold Mining Industry. *Journal of Finance*, 51: 1097-1137.
- Villalonga, B., and Amit, R. 2006. How Do Family Ownership, Control and Management Affect Firm Value? *Journal of Financial Economics*, 8:385-417.

- Ward, J. L. 1980. The Special Role of Strategic Planning for Family Businesses. *Family Business Review*, 1: 105-118.
- Warred, L., Abed, S., Khriasat, O., and Al-Sheikh, I. 2012. The Effect of Ownership Structure on Dividend Payout Policy: Evidence from Jordanian Context. *International Journal Of Economics And Finance*, 4 (2): 187-195.
- Wei, Z., Wu, S., Lee, C., and Chen, W. 2011. Family Control, Institutional Environment and Cash Dividend Policy: Evidence from China. *China. Journal of Accounting Research*, 4: 29-46.
- Weisskopf, J. 2010. Do Not Wake Sleeping Dogs: Payout Policies in Founding Family Firms. *Working Paper*. University of Fribourg.
- Xu'nan, F. 2011. Dividends and Tunneling: Evidence from Family Firms in China. *China Finance Review International*, 1 (2): 152 -167.

**Ali R. Almutairi** Ph.D. Florida Atlantic University, U.S.A, 2006. Assistant Professor of Accounting, Accounting Department, College of Administrative Sciences, Kuwait University. His area of research focuses on Corporate Governance, Audit Quality, Information Asymmetry, and Ownership Structure.

**Husain Y. Alyousef** Ph.D. University of Texas-Arlington, U.S.A, 2006. Assistant Professor of Accounting, Accounting Department, College of Administrative Sciences, Kuwait University. His research interests focus on Accounting Information Systems, Financial Accounting, Corporate Governance, and Ownership Structure.

# JOURNAL OF ENGINEERING RESEARCH

**Academic Publication Council - Kuwait University**

**Faculty of Engineering and Petroleum**

ISSN (print) : 2307-1877

ISSN (online): 2307-1885

Journal of Engineering Research is an international referred journal published by the publication Council of Kuwait University. The first issue was published in June 2013 after it was published under the banner of Kuwait Journal of Science and Engineering (ISSN:1024-8684) since 1974.

Journal of Engineering Research publishes original research papers in all fields of engineering and related fields. JER, also publishes review papers and referred conference papers besides invited papers of distinguished Scholars and Researches. There is no publication fees for JER and all published papers can be obtained from the website for free.

JER is published quarterly starting June 2013.

For any inquiries contact us: [jer@ku.edu.kw](mailto:jer@ku.edu.kw)

**Annual Subscription (4 parts, including Postage)**

**Inside Kuwait:** 3 KD *for individuals.*  
15 KD *for establishments*

**Arab Countries:** 4 KD *for Individuals.*  
15 KD *for establishments*

**Other Countries:** 15 US\$ *for Individuals.*  
60 US\$ *for establishments*

All Correspondence and Manuscripts directed to:

Professor Esam Al-Awadhi, Editor-in-Chief

P.O.Box 17225, Khaldiya 72453, KUWAIT

Tel: (+965) 2481 6261, 2498 4414, 2498 4625, 2498 4456.

Fax: (+965) 2484 6725

E-mail: [jer@ku.edu.kw](mailto:jer@ku.edu.kw) - [Jerkuwait@gmail.com](mailto:Jerkuwait@gmail.com)

Website: <http://www.kuwaitjournals.org/jer>

Payment for individual subscription should be paid in advance:

1 - By cheque drawn on a Kuwaiti Bank to University of Kuwait.

2 - Or By Bank Transfer to the University of Kuwait, Account No:

(042/02608) Central Bank of Kuwait, State of Kuwait.

IBAN: KW21CBKU0000000000000004202608

## **The Publications of The Academic Publication Council**

|                                 |                                |                                  |
|---------------------------------|--------------------------------|----------------------------------|
| Journal of the Social Sciences  | Studies 1975, Authorship       | Journal for the Humanities 1981, |
| 1973, Kuwait Journal of Science | Translation and Publication    | The Educational Journal 1983,    |
| and Engineering 1974 (Split in  | Committee 1976, Journal of Law | Journal of Sharia and Islamic    |
| 2013 to KJS, JER), Journal of   | 1977, Annals of the Arts and   | Studies 1983, Arab Journal of    |
| the Gulf and Arabian Peninsula  | Social Sciences 1980, Arab     | Administrative Sciences 1991.    |