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Determinants of Dividend Payout By Property Companies Listed on The Zimbabwe Stock Exchange: The Case of Zimre Property Investments Limited

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Abstract

The purpose of the study was to establish the determinants of dividend payout for listed property companies on the Zimbabwe Stock Exchange (ZSE). The study adopted the pragmatist philosophy that permitted the triangulation of quantitative and qualitative methodologies. For data collection, questionnaires and in-depth interviews are to be used with Statistical Package for Social Sciences (SPSS) and thematic analysis to be used for data analysis respectively. The findings revealed that the variables considered in this study namely profitability, prior dividend, and market value had a positive relationship with dividend payout. Only growth opportunities were inversely related to the dividend pay-out. Industry classification had positive effect to the dividend pay-out on ZSE listed property companies as the sectors was characterized by existing growth opportunities. Similarly, dividend payout would positively influence the share market price.The study therefore concluded that there was existence of positive correlation between share price, company classification and dividend pay-out. Industrial classification had an impact on dividend pay-out. Managers of property firms were recommended to aim at having high growth opportunities high Current Earnings (CE), high return on equity and investing in risk business. The Reserve Bank of Zimbabwe (RBZ) could facilitate the creation of stock market (Secondary market) where investors could easily sell or buy shares of companies to curtail the loss of investors in the property market. The Ministry of Finance and Economic Development should create relevant policy that allowed the participation of the government in the property sector.

Key words: Property companies; dividend payout; Zimbabwe stock exchange; Gross domestic product

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1. INTRODUCTION

Property companies contribute significantly to the growth of a nation state. Globally the real estate is one of the most profitable ventures of several economies and one of the indices measuring the economic growth of a society (The Herald, 2021). In Zimbabwe, it individually contributed an average 11% to the country's Gross Domestic Product between the year 2018 to 2020 (RBZ, 2020). The potential to this critical sector's growth has been retarded owing internal environmental factors like the dividend pay-outs which were seen to be inconsistence with that of other Zimbabwe Stock Exchange listed companies. Most property companies listed on the stock exchange declared dividend even though they were continuously published to be making losses year in year out (Welker, 2017). The determination of the dividends amount allocated is a significant decision that businesses assume because the aim of the company is to exploit the stockholders' capital as measured by the company's price on common stock (Waithaka et al. 2012). Most firms usually come up with policies, which are meant to assist them in achieving their various goals using different approaches including stable predictable, constant payout and so forth (Aduda & Kimathi, 2011). Absence of clear dividend policy in companies and the nation at large was likely to hinder the growth of such a promising sector, hence to carry out this research on property companies that were listed on the ZSE.

This study was therefore undertaken with the purpose of investigating the factors that influence dividend policy decisions of property companies listed on the Zimbabwe Stock Exchange (ZSE).

Despite numerous years of theoretical and empirical research, issues on dividend pay-out still remain unresolved. Studies by Maniagi et al. (2013), Kibet (2010), Waswa et al. (2014), Arumba (2014), Ochieng & Kinyua (2013) all investigated various factors affecting dividend payout at the New York Stock Exchange (NYSE) with findings that are mixed or inconclusive for various sectors, firms and periods. Dividend policy is one of the most debated issues in contemporary corporate finance. Dividend policy refers to the trade-off between retaining earnings on one hand; and redistributing cash or issuing new shares to owners of the company on the other hand. A dividend pay-out policy of a company is about deciding whether to pay or not to pay a dividend. In paying a dividend, the board of directors mostly has to decide on whether to pay a large, small or zero percentage of their earnings as dividends or to retain them for future investments (Amidu, 2007).

In light of the disagreements on the determinants of dividend payout by previous researchers and the finding by Baah et al. (2014) that the factors vary across sectors, there is need for a research to be done to establish determinants of dividend payout for firms in the property sector in Zimbabwe. No such research has been done so far so there is gap that this study will address.

2. LITERATURE REVIEW

Given the contribution of dividend payout to the growth survival of many businesses including those in the property market, this section focuses on reviewing related literature on the factors influencing the dividend payout by property companies in the property sector in Zimbabwe. In this chapter, the theoretical underpinning of the study, the conceptual framework and the underpinning concepts of the study will be discussed. Different theories have been advanced explaining dividend policy in relation to the value of the firm. Considering the challenge of spiraling share intrinsic value on most listed companies on the ZSE, it imperative that the research consider both the relevance and irrelevance theories in relation to firm valuations. These theories argue for the relevance of dividends in firm valuation while others argue that dividends are irrelevant in firm valuation. This research was therefore, guided by two major theoretical underpinnings. Thus, the Dividend Irrelevant Theory (DIT) will guide the study as discussed below.

2.1 Dividend Irrelevance Theory (DIT)

This study was hinged on one of the most prominent dividend theories, which is the Modgliani & Miller (M&M)(1961) irrelevance theory. Considering that some property companies listed companies were in habit of declaring dividend even in the case where the environment was not positive, this theory provide a good basis against which directors of listed property companies would make sound decisions with compromising the Security Exchange Regulations (Agyei et al. 2011).This theory states that when other factors are considered fixed, an investor would be indifferent between receiving returns in form of dividends or capital gains from reinvestment. Particularly, in the absence of tax, the wealth of a shareholder remains constant regardless of payout policy (Agyei et al. 2011). The reason for their indifference is that shareholder wealth is affected by the income generated by the investment decisions a firm makes, not by how it distributes that income. Therefore, in M&M's (1961) world, dividends are irrelevant. M&M argued that regardless of how the firm distributes its income, its value is determined by its basic earning power and its investment decisions (Brigham & Houston, 2012). In other words, investors calculate the value of companies based on the capitalized value of their future earnings, and this is not affected by whether firms pay dividends or not and how firms set their dividend policies (Michaely & Roberts, 2012).

M&M go further and suggest that, to an investor, all dividend policies are effectively the same since investors can create "homemade" dividends by adjusting their portfolios in a way that matches their preferences (Michaely & Roberts, 2012, p. 85). M&M based their argument upon idealistic assumptions of a perfect capital market and rational investors. These assumptions include; first, no differences between taxes on dividends and capital gains; second, no transaction and flotation costs incurred when securities are traded; third, all market participants have free and equal access to the same information (symmetrical and costless information); fourth, no conflicts of interests between managers and security holders (i.e. no agency problem); and lastly, all participants in the market are price takers (El-Sady et al. 2012).

Given the assumptions of the Dividend Irrelevancy Theory (DIT), the model was critical to this study's frame as it facilitated the understanding of the behavioural intention of shareholders and managers in the property sector towards the dividend pay-out (El-Sadyet al. 2012). In addition, the DIT was relevant for this study given its assumption that perceived usefulness, attitudes and the general economic perspective of the shareholders towards the dividend pay-out.

2.2 Dividend Payout

Dividend payout in this research is the depended variable as provided in the theoretical conception in figure 2.1 above. Dividend payout refers to dividends paid out of current earnings per share. In this research cash dividend payout is the only type of the dividend to be considered even though there are different types of dividend that property companies could pay. This dividend may be zero, low, moderate or high. A dividend policy is a consistent dividend payout rate by firms over time (Kumar, 2014). This variable is the dependent one in this study.

Dividend payouts are payments that a company makes to its shareholders. They provide a way for companies to distribute their revenue among their shareholders after allocating enough money to business expenses and future development (Shapiro &Zhuang, 2015). They are a great way for investors to generate income on a stock without buying or selling. Dividend payouts typically occur quarterly, but some occur on monthly or yearly basis. Some dividend payments are non-recurring. While dividends are usually distributed as cash, some companies provide extra shares as a dividend. Others offer Dividend Reinvestment Plans (DRIPs), which allow shareholders to buy stock with their dividend at a discounted rate.

The dividend payout, as a dependent variable, is estimated to be dependent on the four independent variables; profitability/current earnings after tax, past/previous dividends, business risk and growth prospects (Kumar, 2014). Dividends per share (DPS) is analysed here as antecedent to firm value. The researcher is interested in finding out how dividends paid relate to firm share value. The relationship would imply a signaling effect that dividends portray to investors. Well before the discussions on dividend pay-out determinants are explained it imperative that challenges pertaining to dividend pay-out and the regulation framework is looked.

2.3 Challenges Related to Dividend Payout

The following are some of the challenges that companies face pertaining to dividend payout:

Poor Corporate Governance

Berle & Means (2013) argue that cases of agency cost have arisen in listed companies on most Stock Exchanges in developing markets. Most managers have been seen to be pursuing their own interests for private benefits as opposed to creating value for shareholders. The cases of asymmetric information and moral hazard have prevented investors in the developing market from acquiring benefit from the firm, as the shareholders have insufficient information to make a financial decision and evaluate the actions of managers in these markets. Since there is a positive relationship between corporate governance and the value of the firm in developing for developed markets, most property firms have been experiencing diminishing value (Berle & Means, 2013).

Black (2016) suggests that the external corporate governance mechanism is weak in developing markets and the irrational acts of managers are not controlled. By improving the external corporate governance mechanism, the value of a firm can be improved to a higher degree in the developing market compared to the developed market. The minority shareholders in the developing market have no representation on the board and cannot play any role in the financial affairs of the firm (Black, 2016). Good corporate governance puts emphasis on positive relationship between principal and agent which leads to value creation for shareholders. Managers are forced to work for the benefit of shareholders and are restricted from empire building (Black, 2016).

2.4 Abuse of Cash on Hand

Managers of property companies in most developing markets in Africa have, according to Jensen & Meckling (2018), shown personal interest in the retention of excessive cash returns which in turns caused a conflict of interest between the managers and the shareholders. Gibbs (2015) argues that managers tended to invest the excessive cash reserves in below the market yield investments, such as diversification, poor expansion options and in other low yielding investments. According to Gibbs (2015) excessive cash holdings have not been directly observed, instead they have been seen through low levels of leverage, stable cash flow, high diversification and limited positive Net Present Value (NPV) investment opportunities. Jensen (2016) claims that excessive cash holdings above positive NPV opportunities are being invested in ventures that are meant to increase sales growth that are not necessarily profitable in nature. Owing to the nature of the problems highlighted above pertaining to dividend pay-out, some regulation framework has been put in place in Zimbabwe in way to ensure some order in the facets regarding the dividend payout. Below is a brief discussion of some of the regulatory frame regarding dividend payout in Zimbabwe.

2.5 Regulations on Dividend Payout in ZSE Listed Companies

Booth & Zhou (2017) posits that Zimbabwe's Companies Act 24:03 provide various rules regarding the declaration and payment of dividend. Companies can formulate their own internal regulations regarding the dividend payout provided they include such a clause in their Articles of Association. If no regulations of such nature are in place, then the Table A of the Companies Act 24:03 will bind companies with personalized Articles of Association (Booth & Zhou, 2017). The right to recommend a dividend payout for any listed company lies with the Board of directors. Only when the Board recommends a dividend, the shareholders can declare a dividend in the general meeting. However, the shareholders cannot insist the directors to recommend. Even if there are sufficient profits, but the directors feel that a distribution of dividend is undesirable in the interests of the financial stability of the company, they can refuse to recommend a dividend (Booth & Zhou, 2017).

Only the shareholders in the Annual General Meeting can declare the dividend payout. The Board of Directors determines the rate of dividend to be declared and recommends it to the shareholders. The shareholders, by passing a resolution in the general meeting, can declare the dividend. Either the shareholders can accept the same rate of dividend or they can even reduce the rate. However, they cannot enhance the rate of dividend recommended by the directors (Booth & Zhou, 2017).

The company can declare and pay a dividend only where there is a profit. In other words, dividend is payable only out of profits. If there is no profit, there can be no distribution of dividend. The Companies Act provides that a dividend be paid only; out of the profits of the Current financial year, out of the profits of the previous years, or out of moneys provided by the Central or State Government for paying a dividend(Booth & Zhou, 2017)."Therefore, if a dividend is paid out of capital, it amounts to a breach of trust. It amounts to an unauthorized reduction of capital and is *ultra vires*. Hence, void. The directors shall become jointly and severally liable.

It is already stated that a dividend can be declared only out of profits. The profits should be arrived only after providing for depreciation for the current year and also for all the arrears of depreciation or loss in any previous year [Article 116 of Table A]. However, the Central Government can exempt any company from this obligation in the interest of the public (Booth & Zhou, 2017)."Now that a better explanation has been given pertaining to the dividend pay-out, its regulations and challenges it pertinent that we consider the determinants of dividend pay-out. The independent variables are to be discussed in the following section.

2.6 Determinants of Dividend Payout

Without being sector specific, there are determinants that are generally known to influence dividend payout across sectors, even though no researches have done particularly to companies in the property market sector in Zimbabwe. These include firm size, business risk, growth opportunities, profitability, and prior dividend. There are also factors surrounding the institutional environment, such as political instability, taxation, corporate governance, which are characteristically known to affect dividend pay-out in emerging market (Booth & Zhou, 2017). These factors could not be considered in this study owing time limitation factor. Let us briefly discuss the following financial determinants that are within the scope of this study:

Firm size

According to Marfo-Yiadom & Agyei (2011) large firms have diversified shareholders and to reduce the agency cost they have to pay more dividends. Firm size has prominent role in determining the firm's dividend payout decision. Large and mature firms have easy access to capital market and they are not dependent on internal financing for new projects. The opposite is true with small firms. Al-Kuwari (2009) posits that firm size has favorable effect on the dividend paying ability of the firm. Keen interest will be given to this variable in this research and find if it has the same effect to the property firms listed on the ZSE.

2.7 Profitability

Profitability is one of the most important determinants of dividend payout policy (Kumar, 2014). The results on relationship of profitability and dividend payout have been mixed. As per the relevant theory, the firms will prefer to rely more on internal funds or retained earnings as a result the firms will have a tendency of paying less dividend and having more retained earnings (Mudassar, 2015). There are some cases where profitable firms will prefer lower dividends and invest in their assets rather than paying dividends to shareholders. There are also some situations were firms were more likely to raise their dividends if they were large and profitable (Kumar, 2014). The purpose of this study is to find out if profitability is a determinant to dividend payout in property companies listed on the ZSE.

Business risk

Business risk has the potential to adversely affect the firm's operations (Al-Shubiri, 2011). High degree of variation and uncertainty in current and future earnings expose companies to business risk. Pruitt & Gitman (1991) empirical study findings proposed that business risk is negatively correlated with dividend payout. As per pecking irrelevance theory, external financing is the expensive source of financing and to avoid this, firms prefer to retain free cash flows and ultimately results in lower dividend payout. Al-Shubiri (2011) proposed that firms having high business risk are more likely to go bankrupt, therefore the firms prefer to pay low dividend during these times. This research aims to ascertain risk lead to lower or higher dividend payout.

2.8 Growth Opportunities

According to relevance Theory, companies having more investment opportunities tend to pay low dividend, because they prefer to invest the earrings in new positive projects rather than paying dividend to shareholders. Chan, et al. (2012), in support of the Relevance Theory, posits that companies having more investment opportunities need more funds to finance new investment project, tend to retain earnings rather than paying dividend to the shareholders. In contrast D'Souza & Saxena (1999) asserted that growing companies having more investment opportunities still pay dividends providing support for dividend irrelevance theory, which suggests that investment decisions and dividend payout are independent of each other. The mature and less growing firms have few investment opportunities and these firms have less need for retaining funds for investment projects tends to pay more dividend (Shubiri, 2011). This research strives to ascertain if there is a positive association of investment opportunities and dividend payout of the firm in the property industry.

2.9 Prior Dividends

Dividends that have already been paid (past or prior dividends) lagged one period are used often used as a predictor of payout because current dividends may be related to past dividends (Fasioet al. 2004). Previous dividends are directly related to current dividends because managers sometimes consider what has already been paid to determine by how much dividends will positively change. When current dividends are regressed on current earnings and previous dividends, then a test of dividend stability (smoothing) is inferred based on Lintner's model (1956) (Fama & Babiak, 2018). Measurement of past dividends takes the form of one period lagged dividends paid per share.

2.10 Firm Classification

Firm classification has been used in this study as a moderator. This classification is based on the industry the firm belongs to. The categorization is necessary because different industries have peculiar characteristics unique to the sectors in terms of performance, risk, growth prospects and level of competition. Therefore, it is necessary to account for industry difference as a moderator in dividend payout. Horace (2002) argues that a firm's industry type influence dividend pay-out. In other words, different industries are affected differently by systematic risk. Components of industry characteristics are; growth phase, ownership pattern, size of firm, earnings variability and systematic risk. Baker & Powell (2000) posited that dividend determinants are industry specific and anticipated level of future earnings is the major determinant. Farelly (1985) viewed that utility firms have higher payout ratios possibly because of the prevailing regulatory environment and monopoly power. This research, therefore aims to find out the industry effects on dividend pay-out in Zimbabwean context.

2.11 Empirical Review of the Study

Since Zimbabwe is one of the developing markets in the stock exchange, it was imperative that we consider empirical reviews for the same developing markets to make the information relevant. Developing countries are different from their developed counterparts in terms of regulatory framework, environment, laws, corruption, and disclosures (Zayol & Muolozie, 2017; Uwuigbe, 2013). Accordingly, emerging markets may provide insight into corporate dividend behaviour, in the context of their weak institutional environment (Adaoglu, 2000). The following sections review key empirical studies on determinants of dividend policy in emerging markets. Several studies have been conducted to provide empirical evidence on the determinants of firms' dividend payout ratios from an emerging market perspective.

One explanation is based on earnings (e.g. Glen et al. 1995; Adaoglu, 2000; Aivazian, 2003). Glen et al. (1995) studied the dividend payout policy of firms in both developed and emerging markets. They found that the dividend payout behaviour of firms in developed countries differs from their developing counterparts because of volatility in earnings. Similarly, Adaoglu (2000) shares the same view as Glen et al. (1995) in a study conducted on listed firms in the Istanbul Stock Exchange, arguing that there is a positive relationship between the dividend payout ratio and earnings. Meanwhile, Aivazianet al. (2003b) examined the determinants of dividend policy in eight emerging markets. They found that the firm-level determinants affecting the payout ratios of US firms also affected the payout ratios of companies from these eight countries. In particular, the results reveal that profitability, size, business risk and the market-to-book ratio are positively correlated with the dividend payout ratio, while the debt ratio and the dividend payout ratio are negatively correlated for both developed and developing markets. The basis of their argument was that developing countries have unstable financial systems, which make dividends less stable when compared to their developed counterparts with stable financial systems. Dividends become uncertain as they are based on earnings. They are less important in predicting future earnings for emerging markets. This therefore created the need for further researches to be done in Zimbabwean perspective in endeavor to find the dividend payout determinants that were ZSE market centric.

Mehta (2012) investigated the determinants of dividend payout decisions in 44 non-financial firms in the Nairobi Stock Exchange over five years from 2005 to 2009. The study employed multiple regression analysis and the results revealed a negative correlation between dividend payouts and firm size, while a positive relationship was found between profitability, liquidity and leverage (Mehta, 2012). The study also used a descriptive and ex-post facto research design to test the relation between variables. The study revealed that investment opportunity has a negative relationship with dividend policy whereas debt, Return on Earnings (ROE), structure of shareholder, and last paid dividend have a significant positive relation with dividend policy (Gaver& Kenneth, 1993; Faccio et al. 2001; Baker & Powell, 2012). The study recommended among others that managers should pay more attention to profit, total debt, shareholder structure and last dividend paid in formulating dividend policy as this will help reduce principal-agent conflict and payment, which will enhance the value of the firm (Mehta, 2012).

Literature review sources consulted reveal that the studies have focused on either variable(s) outside those that are used in this study or have targeted other markets outside the Zimbabwe Securities Exchange (ZSE). Results also indicate mixed findings in different markets and conditions which make it necessary to investigate the variables in the context of our Zimbabwe's stock market. Very few studies have covered dividend determinants and behavior that cover all segments of the markets. Financial and non-financial firms have been examined in isolation but none of the studies considered the property business sector separately. Moreover, Aivazian (2003) suggested that the industry classification effect may influence dividend payouts.

3. RESEARCH METHODOLOGY

The mixed methodology approach was chosen for this study. Mixed methods research is the type of research in which a researcher or team of researchers combines elements of qualitative and quantitative research approaches (use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the purposes of breadth and depth of understanding and corroboration(Yin, 2015). Mixing quantitative and qualitative methods helps in expanding the understanding of a research problem as it leads to conclusions that are more accurate (Dörnyei, 2012). Combination of the two methods might bring out the best of both approaches while neutralising the shortcomings and biases inherent in each paradigm. Furthermore, the mixed methods approach can be used for many purposes. For the purpose of this thesis, a case study research design was adopted. Ponelis (2015) avers that the research design that a research selects greatly influences the quality of the outcomes of that research. In this study, one case was involved, in which the study participants were individual brokers and shareholders, managers and directors of Zimre Property Investment Limited. The participants in the study work together in a confined time, and/or place. The rationale for the selection of the case study design was premised on its ability to engender an in-depth study of a small number of units with many variables (Krusenvik, 2016; Yin 2015). Yin (2015) further affirms that the suitability of case studies is underlined by their ability to enable the researcher to comprehend the collaboration between variables within a specific context and phenomena. The other advantage of a case study is its exclusive focus on a particular case to merit intensive investigation (Mohajan, 2018). A case study can, if there is accumulation of consistent results in the replication process; connect case study findings to a particular theory. The method of case study may reinforce the objectivity and validity of the study (Sekaran, 2013).

3.1 Sampling Applied in the Study

Bhattacharjee (2012) is of the notion that sampling is the selection criterion used to draw a sample from the target population. The sampling methods chosen for this research included the simple random sampling and purposive sampling. Simple random sampling is where the whole population is divided into strata or groups. Subsequently, a random sample was taken from these strata, all of which are used in the final sample (Wilson, 2010). Purposive sampling (also known as judgment, selective or subjective sampling) is a sampling technique in which researcher relies on his or her own judgment when choosing members of population to participate in the study (Black, 2010). Purposive sampling is a non-probability sampling method and it occurs when elements selected for the sample are chosen by the judgment of the researcher (Dudovski, 2018). This method of sampling was used given that it allowed the researcher to only select people involved in the property market stocks, dividend pay-out decisions and property market sectors to take part in the study given their proficiency and involvement in the property stocks respectively (Alvi, 2016). Thus, the purposive sampling technique allowed the researcher to select relevant people that enabled her to validate the study outcomes.

The current study purposefully selected a sample of senior management and middle management, for the ZSE's listed property companies and experts who have a deep knowledge of the use of and factors influencing the adoption of dividend pay-out by property companies listed on the ZSE. The choice for this sample population was that it was significantly conversant, well qualified, experienced and accessible without great difficulty. The sample population was further representative of the entire study population (Saunders et al. 2015).

3.2 Data Collection Methods

A survey was used a method of data collection method. A survey is defined as a brief interview or discussions with individuals about a specific topic (Booth & Zhou, 2017). The survey was used to collect information from a total of 120 participants. Directors and Equity Shareholders were critical to this study as they were directly involved in decision making concerning dividend pay-out in the ZSE listed property companies. The Directors, through a Board Meeting, make recommendation on the dividend pay-out and the Shareholders then make an approval at a General Meeting (Booth & Zhou, 2017). All the decisions concerning dividend pay-out will be made under the guidance of the Company Secretary who gives some practical advice. All these stakeholders therefore have the capacity to give credible information concerning dividend pay-out. With stockbrokers these are involved in the day to day trading of stocks in the property companies (Creswell, 2016). They will always have keen interest in the way companies perform, particularly with regard to dividend pay-out. Such is the information that they use to advise investors pertaining to where they could invest their money. With this background information, it is imperative that these stockbrokers be included in the sample as they have the capacity to give insightful and accurate information concerning dividend pay-out (Creswell, 2016). Different types of survey research that were adopted in this research included the questionnaire and the interviews.

Babbie (2014) argues that in-depth interviews involve conducting intensive individual dialogues with a small number of respondents to explore their perspectives on a particular idea or situation. An in-depth interview is therefore a qualitative research method involving the use of open ended questions to help the interviewee disclose information about the area under study. This method allowed for the interviewee to share their ideas and express their feeling towards determinants of dividend pay-out in ZSE listed property companies in Zimbabwe (Babbie, 2014). In-depth interviews with Stock Brokers were also helpful in establishing a therapeutic relationship with the respondents which will in turn necessitate the researcher to obtain genuine response that were significant to the study. The in-depth interviews also created a platform for the researchers to probe questions and seek clarity to the response given through active listening skills (Babbie, 2014).

Secondary data is use of exist information to gather data for a research. This can be accessed via internet or library (Booth & Zhou, 2017). Secondary data was used in gathering information from the ZSE in the form of Stock Market Records, Zimre Property's reports and accounts in effort to ascertain the relationship between company classification and share price to dividend pay-out. Also to be used were various books and journals that guided the research findings.

4.0 RESEARCH FINDINGS

The results presented below are based on the fieldwork findings.

Section A: Demographic Characteristics of Participants

An analysis of the demographic information of the participants was deemed necessary in order to determine the gender of the participants, their age ranges and their level of education. Such demographic information influenced the views of the participants with regards the determinants of dividend pay-out in the property companies listed on the ZSE. The demographic information of the participants is summarised below:

4.1 Gender

The majority of the study participants were male who constituted 84.2% of the sample while women were 15.8%.

4.2 Age

The majority of the participants 40.5% fell in the 31-40 years age range. This was followed by those in the age range of 18-30 years who scored a frequency of 25%, 41-50 years (18.1%) and the least category was composed of those in the above 50 years age range who had a frequency of 16.4%.

4.3 Working Experience

The majority of the respondents had worked in the property industry for 6-10 years (25.2%). This was followed by those that had worked between 11 - 15 years, 14.3% had worked between 26-30 years, 12.9% worked in the automotive sector for 21-25 years, 12.2% worked for over 31 years, 6.1% between 1-5 years and the least number (1.4%) have been there for less than 1 year. This depicts a highly experienced group of respondents given that their years of experience in the property sector spurns from between 6 and over 31 years.

4.3 Level of education

The majority of the participants had attained diploma level education given a frequency of (32.4%). Those with certificates constituted 21.8%, followed by those with secondary education (16.5%), degrees (13.2%), and master's degrees (10.7%). The ones with other qualifications scored 3.3% followed by the least number (2.1%) with pre-secondary education. The results thus illustrate a collection of vastly knowledgeable people who were viewed as educated enough to respond to the questionnaire and interview questions as well as appreciative of the dividend pay-out aspects fundamental to the study.

Section B: Determinants influencing the Dividend Payout in Property Companies Listed on the Zimbabwe Stock Exchange

This objective, the first main objective of this research, was aimed at querying the determinants of dividend pay-out that impacted the ZSE listed property companies. The following responses were garnered:

4.5 Knowledge About Dividend Pay-Out

Asked on whether the respondents had knowledge about dividend pay-out, all the participants (100%) indicated that they had knowledge. This strengthened the study in that the participants were knowledgeable about the concept under study.

4.6 Profitability

Current earnings relationship with current dividends range from strong to very strong as agreed to by 114 sampled individuals representing 98% of all the participants. When asked whether dividends depend on current earnings, 58% stated they "strongly agreed" while 37% "Agreed". With regard to earnings stability, 55% stated they "strongly agreed" while 45% "Agreed". Future earnings influenced current dividends of the company. Respondents that agreed were 42% "Somehow agreed", 24% disagree, 8% strongly disagreed, while2.6% strongly. Current dividends and current profits were heavily asinked as strongly for 42% somehow agreed,34% strongly agreed, 24% agreed, while 5% disagreed. When earnings drop temporarily, dividends are still paid by property companies as shown through respondents representing 28% of sampled respondents. 10% percent "somehow agreed" while 44%

disagreed. Dividends also depend more on previous dividends and earnings stability. The results provide some support to the notion that dividends are paid out from current or past profits; that is, firms that make more profit may be inclined to pay out higher cash dividends to shareholders (El-Sady et al. 2012).

4.7 Previous Dividends

Current dividends paid are related with previous dividends. This factor was investigated in the study and results from cross section data show that 37% "somehow agree", while 29% "Disagreed", 26% "Agreed", while 8% "Strongly agree" that current dividends is influenced by previous dividends paid. When changes in past dividends are considered, 35% either "agree" or "strongly agree" that current dividends are influenced by changes in past dividends. Thirty seven percent (37%) somehow agree and 27% disagreeing. Out of the 114 participants, 78% agreed to current dividends associating with dividend yield. Those that thought the relationship is only somehow were 24% as 3% strongly disagreed. For this set of items, alpha coefficient was 0.603. This concurs with the findings of the liturature that dividends already been paid (past or prior dividends) lagged one period are used often used as a predictor of payout because current dividends may be related to past dividends (El-Sady et al. 2012).

4.8 Growth Opportunities

Growth opportunities are also linked to dividend decision of property firms listed. A negative relationship is hypothesized between growth opportunities and dividends. Available growth opportunities influence dividends payout for 60% respondents of the 114 sampled individuals who agreed either strongly or just agreed. Investment opportunities also affect dividends decisions for 52% of the participants. 42% participants somehow agree while 5% disagree. Earnings growth also influenced dividends for 81% participants. Growth in sales also influences dividends for 46% strongly agreeing, 38% agreed. Coefficient alpha for this factor was 0.7. These findings supports the dividend irrelevance theory which says that the companies should use first internal sources to fund different projects and to keep the company growth. Therefore, firms with high growth or investment opportunities tend to retain their income to finance their investments, thus paying less or no dividends (Chan, et al. 2012).

4.9 Business Risk

Business risk was investigated for linkage with dividend decisions too. Out of the 114 participants, for business risk, 29% "strongly agreed" that dividends payout is affected by business risk, 40% "Agree" to this as well while 26% indicated they "somehow agreed". Looking at the variability of earnings as a measure of business risk, 86% agreed to this as most significant measure of risk. A Further 16% respondents strongly agreed they paid dividends because the market expect them to. 22% also agreed to this. 43% somehow agreed as 18% disagreed. Dividends are also paid to avoid negative effect on share price (28% strongly agree), 26% agree and 29% somehow agree. Overall 54% of the 114 respondents agree that they pay dividends to avoid adverse share price movement. The items had an alpha coefficient of 0.70. This agrees to the lituratures which argued that business risk was one of the determinants of firm's dividend pay-out (Al-Shubiri, 2011). A firm with stable earnings can predict its future earnings with a greater accuracy. Thus, such a firm can commit to paying larger proportion of its earnings as dividends with less risk of cutting its dividends in the future (Al-Shubiri, 2011).

4.10 Firm Size

Firm size was investigated for linkage with dividend decisions too. Out of the 114 questionnaire repondents for firm size, 40% "agreed" that dividends payout is affected by firm size, 30% " Strongly Agreed" to this as well while 20% indicated they "somehow agreed". Looking at the variability of firm size as a measure of dividend pay-out, 67% "agreed", 20% "Strongly Agreed", and 13% "Somehow Agreed" to this. Dividends are also paid due expectation in increased size (41% SomehowAgree), 20% "Strongly Agree" and 20% "Agree" and 19% "Disagree". Overall 84% of the 114 respondents agree that they pay dividends to avoid negative effect on firm size. The items had an alpha coefficient of 0.70. This agrees to the lituratures which argued that firm sizewas one of the determinants to dividend pay-out. As posited by Marfo-Yiadom & Agyei (2011), size is found to have a significant but a negative impact on dividend payout against the relevence theory, which describes large firms face high agency costs as a result of ownership dispersion, increased complexity, and the inability of shareholders to monitor the firm activity closely. Hence, such firms pay a larger dividend to reduce agency costs.

Section C: The Regulations Governing the Payment of Dividend in Property Companies Listed on the Zimbabwe Stock Exchange

This objective, the second objective of this research, was aimed at evaluating the regulations governing the payment of dividends by property companies listed on the Zimbabwe Stock Exchange.

4.11 Regulations

Regulations were investigated for linkage with dividend decisions. Out of the 114 participants for firm size, 74% "Strongly Agreed" that dividends payout is affected by regulations, 12% "Agreed" to this as well while 10% indicated they "Disagreed". Looking at the corruption control index's impact to dividend pay-out decision, 40% "Strongly Agreed", 35% "Agreed", and 8% "Strongly Disagreed" to this. With regards to dividend pay-out being influence by regulatory quality,59% "Strongly

Agree", 21% "Agree" and 9% "Strongly Disagreed". Overall 87% of the 114 participants agreed that dividend payout was highly influenced by existing regulations. The items had an alpha coefficient of 0.70. The participants from the interviews with five Stock Brokers further outlined the following in an effort to show the impact of regulations towards the decision to pay dividend or not. The participants interviewed are categorised with titles ranging Junior Stock Broker, Supervisory Stock Broker and Management. The Managing Stock Broker said that:

> *Following the enactment of the Investment and Securities Act in 2007 by the Securities and Exchange Commission (SEC), there has been a massive improvement in the market as a result of scrutiny and supervision of the Zimbabwe Stock Market by the SEC. As a consequence firms can now raise funds through the capital markets rather than depending on the retention of profits for investment purposes which may influence their dividend payout.*

A Junior Stock Broker also said that:

> *Another peculiar feature of the stock market concerns the issue of shareholding. In Zimbabwe, most of the company's shares are placed in the hands of institutional investors who are mostly financial institutions, which reduce the stock float and increases the propensity of firms to pay cash dividends.*

The findings concur to the literature finding that existing regulations influenced the decision to make a dividend pay-out. This is affirmed by Black (2016) that firms were influenced to make high dividend pay-out in an endeavour to show strong investor protection. Good corporate governance puts emphasis on positive relationship between principal and agent which leads to value creation for shareholders. Managers are forced to work for the benefit of shareholders and are restricted from empire building (Black, 2016).

Section D: Correlation Between Industry Classification, Share Price And Dividend Pay-Out In Property Companies Listed On The Zimbabwe Stock Exchange.

The study's third objective was aimed at ascertaining the correlation between industry classifications, share price and dividend pay-out in the property sector. Collected data was analysed through SPSS and thematic analysis and the following results were found:

4.12 Industry Classification and Share Price

Share price and industry classification were investigated for linkage with dividend decisions. Out of the 114 questionnaire respondents for share price, 40% "Strongly Agreed" that dividends payout is affected by share price, 30% "Strongly Agreed" to this as well, 20% "Somehow Agreed", while 10% indicated they "Disagreed". Looking at the classification impact to dividend pay-out decision, 55% "Strongly Agreed", 30% "Agreed", and 10% "Somehow Agreed" to this.

The participants from the interviews with five Stock Brokers further outlined the following in an effort to show the impact of share price and industry classification towards the decision to pay dividend or not. The Stockbrokers inclusive of the junior, supervising, and management stockbrokers, gave the following responses:

A Junior Stock Broker said that:

> *Dividend yield, payout ratio and size of the firm will be associated with a decrease in the volatility of the firm's stock price. By contrast, firms with relatively higher earnings volatility or higher leverage will tend to display higher price volatility.*

A Managing Stock Broker that:

> *This is the reason managers are usually reluctant to reduce dividend or even omit altogether unless the move is temporary because of the consequences dividend pay-out will have on share.*

A Junior Stock Broker indicated that:

> The correlation is strong indicating a strong positive association between Share price and dividend pay-out. Hence dividends do signal information about the market for investors.

A Management Stock Broker argued that:

> Consequently failure to pay dividend would signal problem with a company. This may result in reduced market value of the share.

The outcome is consistent with a Brav et al. (2005), Ochieng & Kinyua (2013), Maniagi et al. (2013). Listed companies would improve value by consistently paying dividend since this shall signal better prospects for the company in future and reduce variability in market price (Dhahani, 2005). Consequently failure to pay dividend would signal problem with a company. This may result in reduced market value of the share.

The results indicated that industry classification is significant to dividend payout decision. Stock brokers interviewed had this to say pertaining to industry classification and dividend payout:

A Supervising Stock Broker stated that;

> *The positive and significant results in Zimbabwe listed companies in the property sector may be due to the ongoing growth in the sector.*

A Managing Stock Broker mentioned that:

> *For example, property sector contributes over 15% of Zimbabwe's foreign exchange earnings and is expected to have high payouts in order to compensate investors for volatile stock prices.*

The results to an extent support the notion empirical views which posited that industrial classification had an impact because each industry was associated with different regulatory frameworks, growth and risk (Baker et al. 2016; Moh'd, et al. 2018). Real estate also pays high dividends because most of its investors are institutions who wish to earn a return on their investment, or huge assets and leverage ratio (Moh'd, et al. 2018).

Section E: Dividend Pay-Out Related Challenges Faced By Property Companies Listed On the

Zimbabwe Stock Exchange

Objective number four of the study was to evaluate the barriers faced by property companies listed on the ZSE in the distribution of dividend pay-out. The data was analysed by means of SPSS and the Principal Categorical Component Analysis was employed. The results are shown in the table 4.15 below.

4.13 Challenges

From the table 4.11 above, information asymmetry was also noted to be significant factors towards the dividend pay-out decision by the property companies in the real estate sector in Zimbabwe as reflected by total majority score of 94% whose consensus included "Strongly agreed", "Agreed" and "Somehow agreed". With regards the principal agent conflict on its impact to the dividend pay-out, the total majority of 91% were in support of the notion. A total 85% majority of the participants did "Strongly Agree", "Agree" and "Somehow Agree" to the fact that hostile takeover as huge influence on the adoption of dividend pay-out decision by property companies in the real estate sector in Zimbabwe. On the existence of insider dealing and inside trading challenge that positively influence dividend pay-out, the total majority in support were70%. The results depict that dividend pay-out challenges a compelling effect among property companies with regards the positive factors influencing dividend pay-out. As well, the fact that the existence some agents and principals with corrupt mind-set of get rich quick mentality is the possible explanation for the high frequencies on the challenges influencing dividend pay-out decision. The reviewed literature findings are echoed in the present study results. It was noted that emerging markets were characterised by breach of rule of law of poor control of corruption index (Baker & Powell, 2000). This thus supports the view that strong regulations have an enormous effect on the dividend pay-out decision by property companies in ZSE's property sector. Company executives manipulated the dividend puzzle for self-aggrandizement and this negatively impacted on investors' propensity to invest more capital into the property sector. All the factors hindered the company's ability to make a dividend pay-out.

5. CONCLUSIONS

Based on the findings of the study, the following conclusions were made:

The explanatory variables inclusive of profitability, prior dividend, and size, were positively correlated to dividend and were positive determinants to dividend pay-out. The empirical findings reveal a positive correlation on the three variables with dividend payout, thereby consenting with signaling hypothesis (Gaver & Kenneth, 1993; Faccio et al. 2001; Baker & Powell, 2012). A negative correlation was found between dividend payouts and business risk, again giving support to the agency costs theory and consistent with empirical findings elsewhere (Booth et al. 2001; Aivazian et al. 2003).

Regulations inclusive of the Rule of Law and controlled corruption index, even though, the relationship between rule of law and dividend payout in the empirical test has significant results at the 10% level, it cannot deny that the rule of law is an essential determinant in the magnitude of dividend changes. The significant and positive relationship between them is associated with literature framework on irrelevant theory's tax-based hypothesis and previous studies (Sawicki, 2009; Benavides et al. 2016). It can be understood that in African emerging markets, firms in different countries have different corporate governance and firms in countries with higher investor protection tend to pay more dividend.

On this objective, the study concludes that the existence of positive correlation between share price, company classification and dividend pay-out. Dividend pay-out would signal absence of problem with a property company. This resulted in increased market value of the share. This alluded to the findings in literature that listed companies will improve value by consistently paying dividend since signal better prospects for the company in future and reduce variability in market price (Dhahani, 2005).

On industry classification, the results indicated that real estate industries were positive and significant at 5%. Industrial classification had an impact on dividend pay-out because the property companies listed on ZSE were associated with different regulatory frameworks, growth and risk. High dividend pay-out in the property sector was mainly attributed high growth prospects in the sector. The results to an extent support the notion empirical views which viewed that Real estate also pays high dividends because most of its investors are institutions who wish to earn a return on their investment, or huge assets and leverage ratio (Moh'd et al. 2018).

The study concludes that dividend pay-out challenges had a compelling impact on property companies. Property companies had challenges related to dividend pay-out which hindered them from making dividend pay-out, much to the dissatisfaction of investors. Information asymmetry, principal-agent conflict, caused for there to be mistrust and disharmony in the case where dividend pay-out agreement was made in property companies. Cases of insider dealing and inside trading happened in cases were dividend pay-out was mentioned, resulting in investors not trusting the real purpose of the dividend pay-out.

6. RESEARCH IMPLICATIONS

This research has contributed not only to academic research but also to practice. Firstly, our empirical findings provide a further basis for comparison as previous research in other developing countries suggests that the institutional environment in the emerging markets differs from their developed counterparts, which may influence dividend policy (Glen, et al. 1995; Aivazian, et al. 2003; Gugler, 2003). The findings from this study prove otherwise, as they are not totally different from those of their developed counterparts.

Secondly, this study contributes to the limited knowledge of the determinants of dividend payout in the property sector. Evidence from the literature suggests that there is a variation in dividend policy across sectors, but our results found little evidence to support it.

Thirdly, the outcome of this study could help the Zimbabwe Securities Exchange Commission (SEC) in formulating laws to help regulate the dividend payout of Zimbabwean firms by ensuring that any listed firm maintains a stable dividend payout pattern and increases (or cuts) dividends when necessary in order to protect investors.

Finally, the findings of this study may assist firms in understanding the dynamics of the Zimbabwean market, and especially the institutional environment with a view to making decision that were informed decisions about the determinants of corporate dividend policies."

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