

Foreign Ownership and Corporate Dividend Policy in Cameroon

Marius Ayou Bene¹

¹ LAREGA¹, ENSET-University of Douala, Cameroon

Correspondence: Marius Ayou Bene, ENSET-University of Douala, Cameroon.

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Abstract

This article analyzes the relationship between foreign ownership and dividend policy in the Cameroonian context, based on a sample of 197 companies observed over the period 2015-2017. This relationship is estimated using simultaneous equations to account for endogeneity bias. The results show that foreign ownership negatively influences dividend policy, and vice versa. However, these bidirectional links are not linear, but they assume U-shape forms. That is, low levels of foreign ownership are associated with low dividends, while the dividend increases as foreign shares get higher. Similarly, companies paying low dividends attract few foreign shareholders. The latter increases their shareholding when the dividend payout is high. Furthermore, dividend policy is dynamic in Cameroonian companies, as the current dividend is determined by the previous year's.

Keywords: foreign ownership, dividend policy, simultaneous equations, three-stage least squares

1. Introduction

Dividend policy is the process by which a company decides on how to allocate its profits, retaining them in the form of reserves, or using all or part of them to remunerate its shareholders (Mussalam & Lin, 2019). Dividend policy therefore depends on the company's ability to generate profits. Establishing and implementing such, is one of the key financial decisions facing corporate executives (Allen & Michaely, 1995). Dividend policy can boost shareholder value (Agung & al., 2021), thereby fueling demand for shares. It can also lift the company's self-financing capacity, which is useful for making investments and boosting competitiveness.

If the economy is to remain competitive, the public authorities should have a clear interest in defining mechanisms to support companies in achieving their objective of value creation. With this in mind, it is particularly important to make the business climate more attractive by facilitating the process of setting-up a company, reducing the tax burden on organizations and individuals, and implementing an investment promotion policy that encourages the acquisition of FDI. However, the aim of any FDI development scheme is to attract more foreign capital (Yensu & Adusei, 2016), either through debt mechanisms, or by encouraging foreign participation in the capital of companies already established, or in those being created. To this end, companies that signal good health, or present significant growth opportunities, are particularly attractive to potential foreign shareholders. The dividend policy, which provides information on the company's financial situation and performance (Miller & Modigliani, 1961), would appear to be one of the indicators that can generate this signal.

Moreover, unlike developed countries, middle-income countries offer investment opportunities that are both more profitable and riskier, given the quasi-embryonic nature of their economies and the information asymmetries that characterize them. The presence of foreign investors in search of high returns brings more know-how that can boost the competitiveness of participating companies. Their presence in the capital, often as a majority shareholder, or at least as a blocking minority shareholder, is also likely to promote the effectiveness of managerial control mechanisms (Demsetz & Villalonga, 2001; Boshnak, 2021). Thus, it increases the potential for value creation and dividend distribution, encouraging foreigners to take root². Nevertheless, these venture capitalists sometimes decide to disinvest once they have earned sufficient returns on their investment, or when the dividend is declining.

¹ Laboratoire de Recherche en Techniques de Gestion Appliquée

² The Jeune Afrique 2022 ranking of Africa's top 500 companies shows that, of the 10 Cameroonian companies on the list, 7 are foreign-owned, 5 of which are majority-owned. Moreover, foreign shareholders have been present since the creation of some of these companies, while the period (early 90s) of privatization of public companies marked the entry of foreign shareholders in others.

Although the relationship between foreign ownership and dividend policy is a field of research heavily invested in corporate finance, there is no consensus on either the nature or the sign of this link in the literature. Indeed, some studies have found a significantly positive relationship. Other studies have found a negative link between foreign ownership and dividend policy. Finally, many studies found no significant link between these two aspects of corporate life. The lack of consensus on the subject is probably due to contextual economic contingencies.

However, this literature has little to do with the African context, where sub-regional integration, the source of the creation of several economic integration zones, promotes the free movement of capital and investors. Likewise, it encourages the emergence of foreign firms (Onomo & al., 2018). In Cameroon, Ma iDjango Wambé (2020) studied the link between ownership structure, agency relationships and dividend policy in unlisted companies, from the sole perspective of agency theory. However, in the light of the literature, several other theories can explain dividend policy. Moreover, its study, which does not deal with foreign ownership, is based on a sample of 67 companies confined to the cities of Yaoundé and Douala³. Then, the interest of a study on the relationship between dividend policy and the presence of foreigners in the shareholding of companies in this context appears obvious. The aim of this article is to analyze the asset benefits that could be generated by the presence of foreigners in the capital of companies in Cameroon. In the same vein, we examine whether the prospect of dividends is an attractive factor for foreign investors. To this end, we use a sample of 197 companies observed over the period 2014-2017, and estimate a simultaneous equations model using the three-stage least squares (3SLS) method.

This study contributes to the literature on the link between dividend policy and foreign ownership for several reasons. Firstly, it is the first of its kind to analyze that relation in the Cameroonian context from a multiple theoretical perspective. Secondly, the present study is unique in that it identifies an endogeneity problem, addressed through the use of a simultaneous equation model, with the aim of showing a possible reciprocal influence between foreigner's presence and dividend policy. Finally, it is one of the few papers that attempts to mediate the controversy on the sign of the link in the literature, by highlighting the non-linear nature of the relation between dividend policy and foreign ownership.

The remainder of this paper is organized as follows: we first discuss on the relationship between dividend policy and foreign ownership in the context of a review of the existing literature. We present the data and the analytical model used in the study. Finally, we discuss the results.

2. Foreign Ownership And Dividend Policy: A Literature Review

The theoretical corpus used in the literature to discuss the relationship between foreign ownership and dividend policy includes the theories of agency (Boshnak, 2021), birds in the hand (Gordon & Lintner, 1962), signal (Lamayaa & Karima, 2017). Using these theories and some empirical work, we explore the link between dividend policy and foreign ownership in the Cameroonian context.

2.1 Corporate Dividend Policy: The Role of Foreign Investors

Agency theory (Jensen & Meckling, 1976) helps us to understand the role of foreign investors in shaping corporate dividend policy. According to this theory, there is an agency relationship between managers and shareholders that can lead to conflicts of interest. Indeed, instead of working to safeguard shareholders' interests, the manager may undertake actions that would negatively influence their wealth (Boshnak, 2021). In this case, the manager may use the company's free cash flow to invest in unprofitable projects, or projects with low net present value (Jensen, 1986). So, the agency relationship entails agency costs⁴ which the dividend policy can effectively help to reduce (Aydin & Cavadar, 2015; Musallam & Lin, 2019), thereby reducing conflicts of interest between manager and shareholder (Ma iDjango Wambé 2020). Indeed, the payment of a high, regular dividend reduces the free cash flow available to the executive (Jensen, 1986; Baker & Weignan, 2015; Athari, 2021). As a result, the latter will be forced to seek for external financing, the acquisition of which nonetheless favors greater control over his actions (Easterbrook, 1984).

Furthermore, when foreign economic agents invest in local companies, they are exposed to strong information asymmetries, due to differences in culture and language, as well as geographical distance (Cao & al., 2017). Their ability to directly control the executive may be compromised, exposing them to the moral hazard risk. Thus, in order to protect their investments, they may demand payment of a substantial dividend, thereby disciplining the manager (La Porta & al., 2000; Chiang & Lai, 2015). However, foreign investors may also, on the strength of their expertise, implement capable governance mechanisms, ex-ante, of effectively controlling the manager. In this case, they may prefer low dividends in order to increase the company's ability to self-finance investment opportunities (Batatineh, 2021).

³ Cameroon's political and economic capitals, respectively.

⁴ Jensen and Meckling (1976) explain that the shareholder incurs costs in monitoring the manager, the manager in turn incurs costs in making the shareholder believe that he is working in his and the company's interests, and the company suffers residual losses as a result of the manager's opportunistic behavior.

Consequently, foreign ownership can negatively influence dividend policy.

The substitute agency model of dividend confirms this possibility. Indeed, when foreign shareholders are interested in companies operating in economic contexts where investor protection and the judicial system are weak, the aforementioned agency conflicts are further exacerbated, and the risk of them being expropriated through the payment of low dividends is high, especially if they hold a minority of shares. However, the outcome agency model of dividend postulates that, in economies with a strong investor protection system, minority shareholders can use their legal privileges to obtain high dividends (La Porta & al., 2000; Mitton, 2004; Athari & al., 2016; Athari, 2021).

In the specific case of Cameroon, the stylized facts show among other things, that foreign investors who entered in the capital of companies own a large majority of the shares⁵. In this configuration of concentrated ownership structure, foreign shareholders have considerable leeway to protect their investment, especially as legal investor protection mechanisms remain weakly respected. As a result, monitoring and controlling mechanisms are more rigorous, and conflicts of agency more effectively managed (Reyna, 2017). However, as large foreign shareholders have easy access to the company's liquidity, they may prefer low dividends especially when they are highly taxable (Abubakar & al., 2020).

Moreover, Harada and Nguyen (2011) explained the impact of concentrated ownership on dividend policy using two hypotheses drawn from agency relations: monitoring and rent extraction hypotheses (Jensen, 2019; Jensen, 1989). The first hypothesis suggests that paying a (high) dividend can reduce agency costs by reducing the free cash flow available to the manager. The second hypothesis postulates that concentrated ownership prefers to take advantage of the profits derived from its control activities, rather than collect dividends that could also benefit the minority shareholders.

Several empirical studies have examined the relationship between the presence of foreign investors and corporate dividend policy. The results of these studies are not unanimous. Many of these works found no link between the two concepts (Abdullah & al., 2012 in Malaysia; Reyna, 2017, in Mexico). Others show that there is a positive relation between foreign ownership and dividend payout, while some authors demonstrate that the relation is negative.

Musallam and Lin (2019) analyzed a sample of 43 listed companies in Malaysia. The results show that foreign ownership has a positive influence on dividend policy. In the same vein, Baba (2009) studied Japanese companies and showed that a high foreign ownership in Japanese companies increases the probability of paying the dividend, as well as the amount of dividend paid. In Taiwan, Chiang and Lai (2015) showed that the presence of foreign investors leads companies to pay dividends; at the same time, they showed that high foreign ownership is associated with high dividend payouts. In Sri Lanka, Balagobei and Thiruchenthunathan (2016) studied a sample of 50 listed companies. The results show that foreign ownership has a positive impact on dividend policy. In Nepal, Bista & al (2019) studied the impact of corporate governance on dividend policy in 21 financial institutions. They showed that the presence of foreigners in the capital of these companies positively influences the amount of dividend paid.

Based on a study of Saudi companies, Boshnak (2021) showed that the presence of foreigners in the capital of companies favors the payment of high dividends. Setiawan and al (2016) analyzed a sample of companies in Indonesia over the period from 2006 to 2012. They found a positive relationship between foreign ownership and dividend policy. In Turkey, Aydin and Cavdar (2015) showed that, based on a sample of 19 companies, high foreign investor ownership in a company leads to higher dividend payments.

In Pakistan, Ulla and al (2012) analyzed a sample of 70 companies belonging to the KSE-100 index of the Karachi Stock Exchange. The results show a positive relationship between foreign ownership and dividends. Thus, the presence of foreigners in the capital increases dividend payment. In Morocco, Mossadak and al (2016) showed that foreign ownership has a positive impact on dividend policy. Thus, foreign investors in Moroccan companies prefer high dividend payouts, with the aim of reducing agency costs.

Conversely, in the Polish context, Zygula (2017) showed that an increase of foreign investor participation increases the probability of dividend payment, but is associated with a reduction in the value of the dividend paid. In China, Lam and al. (2012) showed that foreign ownership has a negative impact on companies' dividend policy. Al-Najjar and Kilincarslan (2016) showed that, based on a sample of 264 listed Turkish companies, the presence of foreign investors negatively influences dividend policy. Sakinc and Gungor (2015) confirmed this result in a study carried out in the same context, analyzing the ownership structure of 271 companies listed on the Istanbul Stock Exchange between 2004 and 2011. In Jordan, Bataineh (2021) showed that foreign ownership has a negative impact on dividend policy. Abubakar and al (2020) analyzed 304 companies listed on the Nigerian Stock Exchange over the period 2009-2019. The results show that foreign ownership has a negative impact on dividend policy. The same result holds when ownership is concentrated.

⁵ For example, the companies in the sample used in this study are 83% foreign-owned on average.

In this latter case, Nel and al (2020), in South Africa, studied 116 companies listed on the Johannesburg Stock Exchange over the period 2012-2019, with a concentrated ownership structure. The results show that concentrated ownership is negatively associated with dividend policy.

In Cameroon, although studies analyzing the impact of foreign ownership on corporate dividend policy are non-existent, the work of Ma iDjango Wamb é(2020) has shown that dividend payments reduce conflicts of interest within companies. However, given the concentrated nature of foreign shares in this context, and in view of the theoretical and empirical evidences above, we formulate the following hypothesis:

H1: foreign ownership has a negative impact on dividend policy.

H2: the relation between foreign share and dividend policy is not linear; it is negative when foreign ownership is low, and becomes positive when foreign ownership is high.

2.2 Dividend Policy: An Incentive for Foreign Shareholders

Bird-in-the-hand theory provides an insight into the role of a company's dividend policy in the choice of foreigners to take a stake in it. Indeed, Lintner (1962) explained that dividend policy does actually influence shareholder satisfaction, in contrast to Modigliani and Miller (1961) who postulated that the investor knows the future with certainty and is indifferent to the level of the dividend payout. This is because shareholders prefer to receive the dividend they consider certain, rather than retain earnings in the form of reserves in the hope of a riskier future gains (Lintner, 1956; Gordon, 1959; Lintner, 1962). In the Cameroonian context, shareholders prefer the payment of a cash dividend (Ma iDjango Wamb é 2020). In the same perspective, foreign shareholders, who often consider dividends as an attractive source of income (Kowerski and Wypych, 2016), will also prefer their payment in cash (Baba, 2009; Balagobei and Thiruchenthurnathan, 2016). As a result, foreign investors are likely to be attracted by companies that pay a high dividend.

Furthermore, signal theory, through the information content of the dividend, contributes to understanding the investment decisions of foreign shareholders. A company's dividend policy has an information content, as it gives investors an idea of its financial health, as well as its future prospects (Vernimmen, 2018). Indeed, managers and shareholders do not have the same level of information on the company's financial situation (Ross, 1977; Alaeto, 2020). The formers are better informed about the real health of the company. The dividend can therefore be a good tool for reducing information asymmetry, as it can signal the company's past and future performances (Miller & Rock, 1985). In this vein, increasing the dividend payout sends a positive signal, while reducing it constitutes a negative one (Bhattacharya, 1979; John & Williams, 1985, Miller & Rock, 1985; Lamayaa & Karima, 2017).

In addition, dividend policy provides investors with information on the existence and effectiveness of a shareholder protection system at the country-level, as well as at the firm-level. The work of La-Porta and al (2000) also explores the role of dividends. According to the outcome agency model, dividend policy is the result of the shareholder protection system. When there is no effective shareholder protection system in the company, managers enjoy a discretionary power that enables them to maximize their personal wealth by suggesting the payment of a very low or even zero dividend. On the other hand, when a shareholder protection system is in place, management works to maximize shareholder wealth, and advocates a high dividend. As a result, foreign investors may be attracted to a company that pays the dividend, as this may testify to a company where shareholders are protected from the risk of expropriation by insiders (Baba, 2009; Chiang & Lian, 2015; Cao & al., 2017).

The substitute model, on the other hand, postulates that dividend policy can substitute the shareholder protection system. Companies without effective minority shareholder protection pay a high dividend, in order to build or nurture a good reputation with investors, and thus facilitate the funds raising. On the other hand, when shareholder protection is strong, the dividend will be low. In this sense, investors may be attracted to companies that pay a low dividend.

Finally, the hypothesis of the clientele effect of the dividend (Modigliani & Miller 1961; Black & Scholes, 1974) explains the choice of foreign investors to participate in the company's shareholding through the dividend policy. This hypothesis suggests that the dividend, which is a negative function of the tax rate (Athari, 2021), divides shareholders into several groups called clientele; according to their level of taxation. It states that some shareholders prefer a high dividend because their level of taxation is low (Brennan, 1970; Elton & Gruber, 1970; Litzenberger & Ramaswamy, 1979), while others prefer a low dividend because their level of taxation is high (Han & al., 1999; Dhaliwal & al., 1999). Appropriately, Wambe and al. (2022) have shown that in Cameroon, tax status has an impact on the dividend policy of companies not listed on the Douala stock exchange⁶.

⁶ Since 2019, the Douala Stock Exchange has merged with the sub-regional stock exchange to form a single entity, the Bourse des Valeurs Mobili ères de l'Afrique Centrale (BVMAC), headquartered in Douala, Cameroon.

Allen and al (2000) listed two types of customer: institutional investors and individuals. According to these authors, institutional investors have more tax advantages on dividends than individuals. Institutional investors therefore tend to prefer dividend-paying companies. However, foreign investors in local companies are very often institutional (Jeon & al., 2011). The customer effect suggests that foreign institutional investors may be attracted by dividend-paying companies.

Empirically, Dahlquist and Robertsson (2001) carried out a study in the Swedish context on the impact of certain company characteristics on foreign shareholding. Among other things, they showed that dividend policy has a negative impact on foreign shareholding. They pointed out that foreign investors prefer large companies, which pay a low dividend but have substantial liquidity. In Vietnam, Vo (2015) arrived at a similar result. He showed that foreign investors prefer firms that pay a low dividend, because, they prefer the retention of a large portion of the profit, with the aim of exploiting future opportunities. In China, on the other hand, Lam and al (2012) showed that foreign investors prefer companies that pay a low dividend. Moreover, their presence in the shareholder base has a negative impact on dividend payouts.

However, Hussain and Khan (2014) showed that, based on 104 companies listed on the Karachi Stock Exchange over an 8-years period in Pakistan, companies can attract foreign investors by paying a high dividend. In China, Cao and al (2017) analyzed a sample of 1,592 non-financial companies listed on the Shanghai and Shenzhen stock exchanges over the period 2003-2013, and participated by foreign institutional investors. By estimating a simultaneous equation model, their results show that the presence of foreign shareholding has a positive influence on dividend payout, and vice versa. Such a result reveals the existence of an inverse causal link between foreign ownership and dividend policy in this context. In the same vein, Chai (2010) showed that, in the Korean context, foreign investors prefer dividend-paying companies. Moreover, the latter in turn positively influence dividend payouts. This result was confirmed by Jeon and al (2011) in the same context.

In Africa in general, and in Cameroon in particular, no study to our knowledge has shown the influence of the dividend policy on foreign ownership of companies. Yet, according to a ranking carried out by the magazine "Jeune Afrique Economique" in 2013 and 2014, 77.77% and 83.33%, respectively, of Africa's largest companies are foreign-owned. Furthermore, the abovementioned literature shows that paying a high dividend can reduce information asymmetries. Similarly, signal theory suggests that dividend payments can be an indicator of a company's financial health. We therefore hypothesize that:

H3: Dividend policy has a negative influence on the inflow of foreign capital into the shareholding of companies in Cameroon. However, this relationship is not linear; it is negative when the dividend is low, and positive when the dividend becomes high.

3. Methodology

3.1 Data

The data used in this study consists of the balance sheets and income statements of 1,500 companies, observed over the period 2015-2017, and sourced from the National Institute of Statistics of Cameroon (INS). However, the final sample includes 197 companies with at least 5% foreign ownership. This was achieved by eliminating companies with negative dividends, as well as those with less than 1% foreign ownership over three years. The companies in the sample belong to all sectors of activity: 16 (8.12%) are from the primary sector, 45 (22.84%) from the secondary sector, and 136 (69.04%) from the tertiary sector. In addition, the sample includes 125 (63.45%) small and medium-sized enterprises (SMEs), and 72 (36.54%) large companies (LCs)⁷. Only 3 companies in the sample are listed on the Central African Stock Exchange (BVMAC)⁸.

⁷ The law N ° 2010/001 of the 13th April 2010 on the promotion of Small and Medium-Size Enterprises in Cameroon indicates the characteristics of SMEs

⁸ These companies were initially listed on the Douala Stock Exchange before the merger with BVMAC.

3.2 Variables of the study

The table below presents the variables used in this work.

Table 1. Variables of the study

| Code | Variable titles | Calculation method |
|----------------------|-------------------------------|---|
| foreign_own | Foreign participation | Foreign shareholders/total shareholders |
| div_pay | Dividend payout ratio | Dividend paid/net income |
| div_cashflow | Cash flow dividend | Dividend paid/cashflow |
| div_ca | Dividend per sales figure | Dividend paid/sales |
| size | Company size | Ln (total assets) |
| roe | Financial profitability ratio | Net income/equity |
| currentratio | Current ratio | Current assets/current liabilities |
| invest_opportunities | Investment opportunities | (total assets at t - total assets at t-1)/total assets at t-1 |
| asset_tang | Tangibility of assets | Property, plant and equipment/total assets |
| tot_leverage | Financial leverage | Total liabilities/total assets |
| lifecycle | Lifecycle ratio | Reserves/equity |
| quickratio | Liquidity ratio | Cash/total assets |
| firm_volatility | Company volatility | (EBITDA to t - EBITDA to t-1) / EBITDA at t-1 |
| D_Eratio | Capital structure ratio | Long-term debt/equity |

NB: the variables lagged at t-1 for the following base variables are also considered: *div_pay*, *div_cashflow*, *div_ca*, *roe* and *D_Eratio*.

The main variables in the study are foreign ownership and dividend policy. In addition, control variables drawn from the literature were mobilized to further explanations of the phenomena studied.

Foreign ownership

Foreign ownership reflects the presence of foreign shareholders in a company's capital. Some studies have used foreign participation to measure foreign ownership (Aydin & Cavdar, 2015; Zygula, 2017; Mussalam & Lin, 2019; Boshnak, 2021). Thus, foreign ownership is the percentage of a company's shares held by foreign shareholders. It is often measured by dividing the number of shares held by foreign investors by the total number of shares in the company. Others have measured foreign ownership by a dichotomous variable that takes the value 1 if foreigners are present in the shareholder base, and 0 otherwise. In this study, we use the first measure, as it provides information on the level of foreign shareholding.

Dividend policy

Dividend policy is defined as a sand of rules defining the level, timing and form of dividend payments. Several indicators are generally used to measure dividend policy. The payout ratio (Aydin & Cavdar, 2015; Mussalam & Lin, 2019) is one such indicator. It measures the percentage of profit that has been devoted for dividend payments, and is obtained by dividing the dividend paid by the profit. Another indicator used in the literature is the dividend yield. It is appropriate for listed companies, and is obtained by dividing the dividend paid by the value of the company.

Some studies used the propensity to pay the dividend (Zygula, 2017; Boshnak, 2021). This is measured by a dichotomous variable that takes the value 1 if the dividend is paid, and 0 if it is not. Still others use the dividend per share (Bosnak, 2021). In this work, we will be using the payout ratio, as it not only indicates whether or not a dividend has been paid. It also provides information on the level of dividend paid. The dividend paid is calculated by the following expression:

$$\text{dividend paid}_n = \text{Net income}_{n-1} + \text{Retained Earnings}_{n-1} - \text{Retained Earnings}_n - \text{total reserves}_n + \text{total reserves}_{n-1}$$

Control variables

Size

According to maturity theory (Fama & French, 2001; Grullon, Michaely, Swaminathan, 2002), larger companies have already reached a certain level of maturity, and no longer have strong growth opportunities; as a result, they can pay a high dividend, compared to their smaller counterparts (Zygula, 2017). This is because small companies still have growth opportunities, and prefer to rely primarily on their earnings to self-finance, in line with the conclusions of pecking order theory. It is measured by the natural logarithm of total assets (Aydin & Cavdar, 2015; Mussalam & Lin, 2019; Boshnak, 2021). Mussalam and Lin (2019) and Boshnak (2021) found no link between size and dividend policy. In contrast, several other works show that size has a positive influence on dividend policy (Kennedy & Scott, 1984; Newman, 2002; Lee, 2009; Nishat, 2013; Aydin & Cavdar, 2015; Schiozer, 2015; Athari & al., 2016; Zygula, 2017; Aydin and Cavdar, 2015; Lepetit and al., 2018; Athari, 2021) showed that size has a positive influence on dividend policy.

Financial leverage

According to the trade-off theory, financial leverage has a negative influence on dividend policy. This is because highly leveraged companies prefer to use free cash flow to repay their debts, and this implies paying low dividends (Alzahrani & Lasfer, 2012; Zygula, 2017). Boshnak (2021) measured leverage by the ratio of total debt to total assets. Mussalam and Lin (2019), on the other hand, measure it by the ratio of long-term debt to total assets. The former shows that financial leverage has a negative influence on dividend policy. The other, on the other hand, finds no link between these two variables. Several other studies showed a negative relationship between financial leverage and dividend policy (Schiozer, 2015; Athari & al., 2016; Athari, 2021).

Capital structure

The influence of capital structure on dividend policy can be appreciated through both the pecking-order theory and the trade-off theory. In the first case, the company prefers to keep a large part of its earnings as reserves, in order to increase its self-financing capacity. Consequently, even if the company pays out a dividend, it will be low. This suggests a negative influence of capital structure on dividend policy. Similarly, the trade-off theory suggests that a highly indebted company could see its dividend fall if the financial burden induced by debt is greater than the additional cash flows generated by the latter (Kazmierska-Jozwiak, 2015). However, if the debt enables the company to perform better, it may pay a higher dividend (Abbas & al., 2016). The trade-off theory therefore also predicts a possible positive influence of capital structure on dividend policy. Capital structure is often measured by the ratio of long-term debt to equity (Ghasemi & Razak, 2016).

Profitability

According to Lintner (1956), profitability is an important determinant of the dividend paid. According to free cash flow theory, profitable companies tend to pay a high dividend, with the aim of reducing agency costs (Zygula, 2017). This suggests a positive influence of profitability on dividend policy. Several authors (Bodla & al., 2007; Lee, 2009; Schiozer, 2015; Athari & al., 2016; Zygula, 2017; Lepetit & al., 2018; Athari, 2021; Boshnak, 2021) showed that profitability, measured by the return on assets ratio or return on equity ratio (Aydin & Cavdar, 2015), has a positive influence on dividend policy. Mussalam and Lin (2019), on the other hand, found no link.

Investment opportunities

In the light of maturity theory, investment opportunities are negatively linked to dividend policy. Indeed, resources available for shareholder remuneration could be allocated to investment (Zygula, 2017). Investment opportunities are often measured by the growth rate of total assets. Several studies have shown the negative impact of investment opportunities on dividend policy (Newman, 2002; Mitton, 2004; Athari, 2021).

Company volatility

According to Ullah and al. (2012), corporate volatility has a negative influence on dividend policy. They explained that corporate volatility refers to the sharp variation in a company's operating income before depreciation and amortization. It is measured by the relative variation in EBITDA.

Cash ratio

Cao and al (2017) and Jeon and al (2011) showed that, holding liquidity has a positive influence on dividend policy. Indeed, a company that holds liquidity has a high probability of distributing the dividend. They measure the cash ratio by dividing the cash on hand (cash, bank, investment securities and equivalents) to total assets.

Asset liquidity

Asset liquidity is also an important determinant of dividend policy (Kazmierska-Jozwiak, 2015). A company with highly liquid assets can easily pay the dividend in cash (Manos, 2002; Jabouri, 2016; Athari, 2021). It is often captured by the

ratio of current assets to current liabilities.

Asset tangibility

Asset tangibility is measured by the weight of tangible fixed assets in total assets. The higher the tangible fixed assets, the more tangible the asset. In this sense, Jensen and Meckling (1976) argued that companies use tangible assets as a governance mechanism to reduce agency problems between management and shareholders. Thus, firms with tangible assets can justify high debt levels and low dividends, especially in a context where short-term debt is the main source of financing (Aivazian & al., 2003).

The life cycle

Some empirical work showed that a company's dividend policy is positively determined by the life cycle (DeAngelo & al., 2006; Chian & Lai, 2015). They measured the life cycle by the ratio of reserves to equity.

Some of these control variables have also been used to simultaneously explain companies' foreign ownership. The table below shows the descriptive statistics for the different variables used in this work⁹

Table 2. Descriptive statistics

| Variable | Total sample | | | | SMES | | | | GE | | | |
|----------------------|-------------------------|-----------|-------|-------|--------------------------------|-----------|-------|-------|------------------------|-----------|-------|-------|
| | Mean | Std. Dev. | Min | Max | Mean | Std. Dev. | Min | Max | Mean | Std. Dev. | Min | Max |
| foreign_own | 0.83 | 0.28 | 0.05 | 1.00 | 0.86 | 0.27 | 0.05 | 1.00 | 0.78 | 0.29 | 0.06 | 1.00 |
| div_pay | 0.17 | 0.30 | 0.00 | 0.90 | 0.10 | 0.25 | 0.00 | 0.86 | 0.29 | 0.35 | 0.00 | 0.90 |
| div_paylag1 | 0.17 | 0.31 | 0.00 | 0.90 | 0.10 | 0.25 | 0.00 | 0.83 | 0.29 | 0.36 | 0.00 | 0.90 |
| div_cashflow | 0.08 | 0.19 | 0.00 | 0.85 | 0.05 | 0.17 | 0.00 | 0.85 | 0.13 | 0.21 | 0.00 | 0.77 |
| div_cashflow_lag1 | 0.07 | 0.19 | 0.00 | 0.88 | 0.04 | 0.16 | 0.00 | 0.88 | 0.13 | 0.21 | 0.00 | 0.73 |
| div_ca | 0.02 | 0.06 | 0.00 | 0.49 | 0.02 | 0.07 | 0.00 | 0.49 | 0.02 | 0.05 | 0.00 | 0.30 |
| div_ca_lag1 | 0.02 | 0.07 | 0.00 | 0.59 | 0.02 | 0.07 | 0.00 | 0.59 | 0.02 | 0.07 | 0.00 | 0.55 |
| Size | 20.9 | 2.42 | 14.53 | 25.62 | 19.5 | 1.73 | 14.53 | 23.36 | 23.33 | 1.19 | 20.87 | 25.62 |
| Roe | 0.13 | 0.35 | -0.58 | 0.82 | 0.16 | 0.37 | -0.58 | 0.82 | 0.07 | 0.30 | -0.57 | 0.8 |
| roe_lag1 | 0.19 | 0.40 | -0.61 | 0.99 | 0.23 | 0.45 | -0.61 | 0.99 | 0.13 | 0.29 | -0.53 | 0.99 |
| Currentratio | 1.05 | 0.82 | 0.00 | 3.84 | 0.84 | 0.75 | 0.00 | 3.81 | 1.40 | 0.84 | 0.24 | 3.84 |
| Invest_opportunities | 0.05 | 0.39 | -0.83 | 1.47 | 0.06 | 0.46 | -0.83 | 1.47 | 0.04 | 0.24 | -0.82 | 0.71 |
| asset_tang | 0.26 | 0.29 | 0.00 | 0.98 | 0.26 | 0.33 | 0.00 | 0.98 | 0.25 | 0.20 | 0.01 | 0.78 |
| tot_leverage | 0.81 | 0.24 | 0.01 | 1.00 | 0.84 | 0.23 | 0.01 | 1.00 | 0.76 | 0.25 | 0.07 | 1.00 |
| Lifecycle | 0.06 | 0.18 | -0.29 | 0.76 | 0.03 | 0.12 | -0.29 | 0.64 | 0.12 | 0.24 | -0.29 | 0.76 |
| Quickratio | 0.08 | 0.10 | 0.00 | 0.39 | 0.09 | 0.10 | 0.00 | 0.39 | 0.08 | 0.10 | 0.00 | 0.36 |
| firm_volatility | -0.29 | 1.29 | -3.96 | 3.77 | -0.35 | 1.42 | -3.96 | 3.77 | -0.2 | 1.04 | -3.21 | 3.45 |
| D_Eratio | 0.07 | 0.47 | -0.99 | 1.00 | 0.02 | 0.38 | -0.99 | 0.99 | 0.16 | 0.58 | -0.97 | 1.00 |
| D_Eratio_lag1 | 0.08 | 0.46 | -0.99 | 1.00 | -0.02 | 0.37 | -0.99 | 0.95 | 0.25 | 0.54 | -0.99 | 1.00 |
| Obs | 197 | | | | 125(63.45%) | | | | 72(36.54%) | | | |
| | Primary sector | | | | Secondary sector | | | | Service sector | | | |
| | 16(8.12%) | | | | 45(22.84%) | | | | 136(69.03%) | | | |
| | Foreign ownership < 25% | | | | 25%<=foreign participation<50% | | | | Foreign ownership>=50% | | | |
| | 15(7.61%) | | | | 11(5.58%) | | | | 171(86.80%) | | | |

Standard errors are in parentheses, *** p<0.01, ** p<0.05, * p<0.1

Foreign ownership of the companies in the sample averages 83%. It averages 86% and 78% in SMEs and LCs, respectively. Moreover, there is a majority foreign shareholding (89.34% on average) in 176 out of 197 companies. On average, these companies pay out 17% of their profits in the form of dividends to shareholders. On the other hand, some companies distribute as much as 90% of their profits, while others pay no dividend at all. However, the trend is not the same depending on the type of company. Large companies pay out more dividends than SMEs (29.20% vs. 9.87%). This may reflect the fact that SMEs retain more profits than large companies, as it is more difficult for them to access external finance to fund their operating and investment cycles. In fact, investment opportunities are greater in SMEs (6%) than in LCs (4%).

The average financial performance of companies is around 12%. However, SMEs outperform LCs on average (16% vs.

⁹ To test for non-linearity, the *foreign_own*, *div_cashflow*, *div_ca* and *div_pay* variables were squared.

7%). This difference in performance persists over time, if we consider the previous year's results (23% vs 13%). Short-term assets are on average sufficient to repay short-term debts, as the average current ratio is greater than 1, except for SMEs, that appear insolvent in the short run. In the same strain, the quick ratio shows that cash represents on average 8% of the total assets. Similarly, on average, 25% of these companies' assets are tangible fixed assets. On average, when considering only the long-term capital, companies' capital structure is dominated by shareholders' equity. This suggests that the companies in the sample are financially autonomous in the long run. Total liabilities represent an 81% average of total assets. Reserves represent 6.22% of shareholders' equity.

3.3 Model for Empirical Analysis of the Relationship between Foreign Ownership and Dividend Policy

In view of the above, this work analyzes a possible reverse causality relationship between foreign ownership and dividend policy. Specifically, the aim is to test the influence of foreign ownership on dividend policy on the one hand, and the impact of dividend policy on foreign ownership, on the other. The two concepts studied are therefore mutually dependent, raising a problem of endogeneity. Most studies have considered either foreign participation (Dahlquist & Robertsson, 2001; Vo, 2015) or dividend policy (Baba, 2009; Mossadak & al., 2016) as the only endogenous variable.

In this work, the variables are simultaneously considered as endogenous variables, suggesting the existence of an interdependence between these two variables. Onomo and al. (2018) show that, when there is interdependence between the variables under study, one of the models suitable for solving the endogeneity problem is the simultaneous equation model. We adopt the latter in this work. It is generally specified as follows (Greene, 2002):

$$y_{i1} = \alpha_{21}y_{i2} + \alpha_{31}y_{i3} + \dots + \alpha_{M1}y_{iM} + \beta_{11}x_{i1} + \beta_{21}x_{i2} + \dots + \beta_{K1}x_{iK} + \varepsilon_{i1} \tag{1}$$

$$y_{i2} = \alpha_{12}y_{i1} + \alpha_{32}y_{i3} + \dots + \alpha_{M2}y_{iM} + \beta_{12}x_{i1} + \beta_{22}x_{i2} + \dots + \beta_{K2}x_{iK} + \varepsilon_{i2} \tag{2}$$

...

$$y_{iM} = \alpha_{1M}y_{i1} + \alpha_{3M}y_{i3} + \dots + \alpha_{M-1M}y_{iM} + \beta_{1M}x_{i1} + \beta_{2M}x_{i2} + \beta_{KM}x_{iK} + \varepsilon_{iM} \tag{3}$$

where y_{it} ($t = 1, \dots, M$) are the endogenous variables, x_{ij} ($j = 1, \dots, K$) are the exogenous variables, $\varepsilon(t = 1, \dots, M)$ are the error terms, and M is the number of equations in the model.

Specifically, our model is as follows:

$$div_pay_{i1} = \alpha_{21}foreign_own_{i2} + \beta_{11}Ratio_{i1} + \dots + \beta_{K1}Ratio_{iK} + \varepsilon_{i1} \tag{4}$$

$$foreign_own_{i2} = \alpha_{12}div_pay_{i1} + \beta_{12}Ratio_{i1} + \dots + \beta_{K2}Ratio_{iK} + \varepsilon_{i2} \tag{5}$$

Where:

- div_pay_{i1} et $foreign_own_{i2}$ respectively represent the dividend payout ratio (which measures dividend policy) and the leverage ratio (which measures capital structure):
- $Ratio_{ij}$ ($j = 1, \dots, K$), with $K = 12$, represent the sand of control variables,

Building on the works of (Ayou Bene and Onomo, 2022; Ayou Bene and al., 2022) the above Specify model is estimated using the triple least squares (3SLS) method.

4. Results

The table below summarizes all the results obtained from the analyses.

Table 3. The relationship between foreign ownership and dividend policy

| | Total sample | | SMEs | | LCs | |
|-------------------------|-----------------------|----------------------|----------------------|-----------------------|--------------------|----------------------|
| | div_pay | foreign_own | div_pay | foreign_own | div_pay | foreign_own |
| div_pay | | -9.731*** (1.549) | | -10.433*** (1.887) | | -4.307*** (0.852) |
| div_pay*div_pay | | 10.687*** (1.797) | | 12.330*** (2.396) | | 4.247*** (0.902) |
| foreign_own | -2.744** (1.070) | | -2.545*** (0.945) | | 7.792 (13.408) | |
| foreign_own*foreign_own | 2.056** (0.851) | | 1.873** (0.753) | | -6.305 (10.412) | |
| div_paylag1 | 0.548*** (0.071) | 0.807*** (0.243) | 0.447*** (0.105) | 0.486** (0.231) | 0.527** (0.210) | 0.333* (0.199) |
| size | 0.0435*** (0.0125) | 0.051*** (0.007) | 0.039*** (0.011) | 0.040*** (0.007) | -0.119 (0.246) | 0.052*** (0.006) |

| | | | | | | |
|----------------------|------------------------|-------------------|--------------------|---------------------|-------------------|---------------------|
| roe | 0.0723 (0.0484) | 0.038 (0.110) | 0.051 (0.053) | -0.074 (0.106) | 0.360 (0.425) | 0.214* (0.119) |
| roe_lag1 | 0.115*** (0.0385) | 0.134 (0.097) | 0.096** (0.038) | 0.089 (0.089) | 0.122 (0.231) | 0.234* (0.125) |
| currentratio | -0,0127 (0.0258) | | -003 (0.029) | | 0.155 (0.344) | |
| invest_opportunities | -0.0158 (0.0382) | -0.087 (0.095) | -0.052 (0.035) | -0.177** (0.083) | 0.506 (0.485) | 0.449*** (0.169) |
| tot_leverage | -0.230*** (0.084) | -0.072 (0.155) | -0.143* (0.085) | 0.205 (0.166) | 0.887 (2.016) | -0.330** (0.155) |
| D_Eratio | 0.079** (0.035) | 0.142 (0.099) | 0.022 (0.048) | 0.013 (0.118) | -0.092 (0.372) | 0.028 (0.083) |
| asset_tang | 0.056 (0.068) | | 0.076 (0.070) | | 0.878 (1.696) | |
| D_Eratio_lag1 | | 0.060 (0.101) | | 0.083 (0.119) | | 0.167** (0.082) |
| quickratio | 0.305* (0.169) | | 0.264 (0.182) | | 0.007 (0.587) | |
| firm_volatility | -0.0149 (0.014) | | -0.017 (0.014) | | 0.092 (0.179) | |
| Lifecycle | -0.208** (0,108411) | | -0.048 (0.134) | | 0.350 (1.013) | |
| Obs | 197 | 197 | 125 | 125 | 72 | 72 |
| Parms | 14 | 10 | 14 | 10 | 14 | 10 |
| RMSE | 0.208 | 0.517 | 0.178 | 0.403 | 0.459 | 0288 |
| R-sq | 0.639 | 0.652 | 0.554 | 0.799 | -0.023 | 0.879 |
| chi2 | 438.92 | 564.74 | 216.27 | 610.73 | 65.76 | 592.37 |
| P-value | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |

Standard errors are in parentheses, *** p<0.01, ** p<0.05, * p<0.1

The results of the empirical analysis reveal that the greater the foreign investor presence in the company's shareholder base, the lower the dividend payout. In fact, a 1% increase in foreign shareholding leads to a 2.744% (2.545% in SMEs) decrease in the dividend distributed. This finding is in line with the substitute agency model of dividend, and corroborates the work of Athari and al. (2016). On the one hand, the embryonic nature of the sub-regional financial market (BVMAC) reflects the weakness of the investor protection system in Cameroon. On the other hand, the minority presence of foreigners in company shareholding exposes them strongly to the risk of expropriation. Furthermore, this result suggests that minority foreign shareholders prefer low dividends in order to increase the company's capacity to finance other investment opportunities with their own funds (Bataineh, 2021). This conclusion is more relevant to the Cameroonian context, where there are more SMEs that may need capital to finance their growth. This result validates the hypothesis *H1*, and corroborates that of Lam and al. (2012), Al-Najjar and Kilincarslan (2016) and Sakinc and Gungor (2015), and Bataineh (2021). In the opposite, foreign shareholders do not influence dividend policy in LCs.

However, the results also show that the relationship between foreign ownership and dividend payout is not linear, validating the hypothesis *H2*. Indeed, it assumes a U-Shape form, that is, it is negative when foreign ownership is low, but becomes positive when foreigners are strongly represented in the company's capital in Cameroon. The positive relationship between foreign ownership and dividend payout when foreigners hold a strong majority stake, often concentrated, corroborates the agency monitoring hypothesis of the dividend (Jensen, 1989; Harada & Nguyen, 2011; Jensen, 2019). Foreign shareholders, in this case, prefer getting high dividends in order to reduce agency costs and decrease the free cash flow available to the manager. This result is in line with many empirical findings (Aydin & Cavdar, 2015; Mossadak and al., 2016; Bista and al., 2019; Musallam and Lin, 2019; Ma iDjango Wamb é 2020).

Furthermore, empirical analysis shows that foreign ownership is simultaneously and negatively determined by the dividend rate paid; a 1% increase in the dividend leads to a 9.73% drop in foreign ownership of companies in Cameroon. This drop is greater in SMEs (10.43%), and less pronounced in LCs (4.31%). Moreover, foreign ownership is a

non-linear function of the dividend paid, but it is a U-Shape relation. It is negative when the dividend is low, and positive when the as the rate of dividend paid increases. This result validates our hypothesis $H3$, and suggests that foreign shareholders are more interested in dividend-paying companies in the Cameroonian context, especially when it comes to SMEs. It also confirms the explanations derived from signal and substitution theories, as well as from the hypothesis of the customer effect of dividends. It corroborates findings from the works of Dahlquist and Robertsson (2001), Sami and Zhou (2012) and Vo (2015). Finally, the negative influence of dividend policy on foreign ownership confirms the existence of an inverse causal relationship between the two variables, although the sign of the reciprocal link is different from that found in the works of (Cao & al., 2017; Chai, 2010; Jeon & al., 2011).

As for the control variables, the results show that the dividend policy is dynamic in Cameroon, regardless of the type of company. In fact, the dividend payout of the year t is positively determined by that of year $t - 1$. This result is in line with the findings from (Newman, 2002; Bodla & al., 2007; Nishat, 2013; Athari, 2021), and implies that shareholders can anticipate their future remuneration on the basis of past earnings. The dividend is also a positive function of company size; a positive 1% variation in size leads to a 0.0435% increase in the dividend paid (0.039% in SMEs), that is, the larger the company, the higher the dividend payout. This evidence corroborates previous works empirical results such as Lee (2009), Schiozer (2015), Lepetit and al. (2018), Athari and al. (2016). However, this relationship is not significant in LCs. Also, the year's dividend policy t is positively related to the previous year's financial profitability (Aydin & Cavdar, 2015), except in LCs. It is positively determined by the company's capital structure and liquidity; the more the capital structure is dominated by long-term debt, the more the company pays the dividend. A possible explanation for this result stems from the fact that an indebted company realizes more value due to the advantage of tax savings. It supports the findings of Abbas and al. (2017). Also, a company with good cash flow pays more dividend in the Cameroonian context, which corroborates the work of Cao and al. (2017).

Conversely, leverage and life cycle have a negative impact on dividend policy. In the first case, when the company's overall debt increases by 1%, the dividend rate falls by 0.23%. This is because indebted companies use their free cash flows to pay down debt, which means less dividend. This result is in line with that of (Zygula, 2017; Athari & al., 2016; Athari, 2021). In the second case, an increase in reserves leads to a decrease in the dividend. This diverges with the findings from DeAngelo and al. (2006).

On the other hand, foreign ownership is positively determined by the size of the company, and the dividend it distributed in the previous year, whatever the type of company. In the latter case, the dividend sends out the signal of an attractive, healthy company; while in the former case, it reflects foreign investors' preference for large companies. Also, in LCs, investment opportunities and the capital structure observed over the year $t - 1$ positively influence the presence of foreign shareholders. The latter prefers to invest in LCs that offer good opportunities, because they offer more guarantees in terms of organizational structure and governance mechanisms; SMEs often appear to be poorly structured and more opaque in developing economies. On the other hand, foreign ownership is positively determined by return on equity in LCs. This relationship is not significant in SMEs. However, large, highly indebted companies do not attract foreign capital.

Robustness checks

To test the validity of the results obtained in this study, we carry out robustness checks. First, we simultaneously re-estimate equations (1) and (2), adding the interaction between foreign ownership and investment opportunities among the dividend policy explanatory variables. The empirical results are consistent with those initially obtained, i.e. foreign ownership negatively influences dividend payout. Moreover, dividend payout is lower when investment opportunities are high. This result suggests that foreign shareholders demand a higher dividend in the presence of investment opportunities (Athari & al., 2016). Secondly, we re-estimate the analytical model using in turn the ratios of dividend per unit of sales and dividend to cash flow as the dependent variable for assessing dividend policy. In both cases, the empirical findings are consistent with the results obtained initially. However, foreign ownership is a negative linear function of dividend per unit of sales. Thirdly, we divide the sample of companies studied into two sub-samples according to sector of activity. The first sub-sample is made up of companies operating in the primary and tertiary sectors, while the second sub-sample is made up solely of companies in the tertiary sector. By re-estimating our model on both sub-samples, the results are in line with those obtained using the initial sample. Table 4 below lists the results of the various robustness checks mentioned above.

Table 4. Robustness tests

| | div_pay | foreign_own | div_cashflow | foreign_own | div_ca | foreign_own | primary_service | | service | |
|---------------------------|----------------------|----------------------|----------------------|-----------------------|---------------------|---------------------|---------------------|----------------------|---------------------|----------------------|
| | | | | | | | div_pay | foreign_own | div_pay | foreign_own |
| div_pay | | -9.406*** (1.466) | | | | | | -8.374*** (1.444) | | -9.021*** (1.523) |
| div_pay*div_pay | | 10.454*** (1.702) | | | | | | 9.589*** (1.715) | | 10.332*** (1.523) |
| div_cashflow | | | | -19.068*** (4.490) | | | | | | |
| div_cashflow*div_cashflow | | | | 19.585*** (5.412) | | | | | | |
| div_ca | | | | | | -12.172* (6.345) | | | | |
| div_ca*div_ca | | | | | | 20.791 (13.957) | | | | |
| foreign_own | -3.504*** (1.251) | | -1.511*** (0.573) | | -0.514** (0.239) | | -3.001** (1.201) | | -2.737** (1.090) | |
| foreign_own*foreign_own | 2.673*** (0.998) | | 1.164** (0.461) | | 0.375* (0.193) | | 2.312** (0.968) | | 2.101** (0.876) | |
| foreign_own*invest_opport | -0.385* (0.204) | | | | | | | | | |
| div_pay_lag1 | 0.505*** (0.083) | 0.700*** (0.233) | | | | | 0.582*** (0.210) | 0.357* (0.215) | 0.613*** (0.077) | 0.421* (0.223) |
| div_cashflow_lag1 | | | 0.871*** (0.061) | 4.581*** (0.945) | | | | | | |
| div_ca_lag1 | | | | | 0.622*** (0.056) | 2.434*** (0.922) | | | | |
| size | 0.052*** (0.015) | 0.050*** (0.007) | 0.014** (0.006) | 0.087*** (0.018) | 0.006** (0.013) | 0.043*** (0.009) | 0.037*** (0.012) | 0.050*** (0.006) | 0.033*** (0.011) | 0.039*** (0.007) |
| roe | 0.098* (0.056) | 0.034 (0.107) | 0.023 (0.030) | 0.084 (0.183) | -0.004 (0.011) | 0.027 (0.082) | 0.136** (0.062) | 0.017 (0.102) | 0.125** (0.062) | -0.029 (0.787) |
| roe_lag1 | 0.105** (0.043) | 0.124 (0.094) | 0.027 (0.025) | 0.329** (0.165) | 0.030*** (0.009) | 0.274*** (0.096) | 0.078* (0.043) | 0.144* (0.085) | 0.097** (0.046) | 0.165* (0.090) |
| currentratio | -0.014 (0.638) | | 0.025 (0.016) | | 0.001 (0.006) | | -0.013 (0.029) | | -0.019 (0.029) | |
| invest_opportunities | 0.319* (0.184) | -0.082 (0.096) | 0.015 (0.025) | -0.091 (0.161) | -0.009 (0.009) | -0.085 (0.080) | 0.058 (0.057) | -0.118 (0.099) | 0.076 (0.062) | -0.118 (0.099) |
| tot_leverage | -0.276*** (0.098) | -0.055 (0.150) | 0.015 (0.052) | -0.959** (0.400) | 0.000 (0.019) | -0.065 (0.210) | -0.102 (0.099) | -0.060 (0.145) | -0.044 (0.105) | -0.060 (0.145) |
| D_Eratio | 0.077** (0.039) | 0.135 (0.096) | 0.018 (0.023) | 0.235 (0.166) | 0.008 (0.008) | 0.099 (0.078) | 0.059 (0.043) | 0.138 (0.089) | 0.078* (0.046) | 0.138 (0.089) |
| asset_tang | 0.102 (0.080) | | 0.069* (0.068) | | 0.019 (0.015) | | 0.079 (0.077) | | 0.046 (0.073) | |
| D_Eratio_lag1 | | 0.056 (0.098) | | 0.284* (0.164) | | 0.057 (0.443) | | 0.039 (0.089) | | 0.039 (0.089) |
| quickratio | 0.369* (0.192) | | 0.127 (0.096) | | 0.044 (0.037) | | 0.415** (0.193) | | 0.393** (0.194) | |
| firm_volatility | -0.022 (0.016) | | -0.014* (0.008) | | -0.003 (0.003) | | -0.028 (0.017) | | -0.031 (0.019) | |
| lifecycle | -0.240** (0.110) | | -0.081 (0.057) | | -0.012 (0.022) | | -0.114 (0.105) | | -0.096 (0.120) | |
| Obs | 197 | 197 | 197 | 197 | 197 | 197 | 152 | 152 | 136 | 136 |
| Parms | 14 | 10 | 14 | 10 | 14 | 10 | 14 | 10 | 14 | 10 |
| RMSE | 0.208 | 0.517 | 0.118 | 0.886 | 0.049 | 0.363 | 0.21 | 0.415 | 0.204 | 0.399 |
| R-sq | 0.639 | 0.652 | 0.662 | -0.024 | 0.397 | 0.828 | 0.573 | 0.788 | 0.612 | 0.807 |
| chi2 | 438.92 | 564.74 | 383.97 | 215.53 | 219.85 | 1012.21 | 270.3 | 709.52 | 259.79 | 689.4 |
| P-value | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |

Standard errors are in parentheses, *** p<0.01, ** p<0.05, * p<0.1

5. Conclusion

The remuneration of capital is of undeniable interest, especially in a context of globalization where developing countries are focusing on the implementation of attractive investment policies necessary for the expansion of their economies. In this same context, companies have a strong need for financial resources to boost their competitiveness. In Cameroon, foreign investors are the most sought-after, due to their considerable capacity to foster the acquisition of technological and managerial know-how on the one hand, and to promote the rigorous implementation of managerial control mechanisms, on the other. The aim of this study was to empirically establish the direct links between foreign ownership and dividend policy in this context. To achieve this, a sample of 197 companies observed between 2015 and 2017 was selected. A simultaneous equation model was estimated to consider the endogeneity problem between these two variables.

Empirical evidence shows that, in general, foreign ownership is associated with a low rate of profit distribution in Cameroon, where the production system is dominated by fast-growing SMEs. In Cameroon, where the production system is dominated by fast-growing SMEs, foreign investors prefer to retain a high proportion of distributable profits in order to seize investment opportunities, and to finance them with their own funds, as this is the least costly method of financing. However, only companies with a low level of foreign ownership pay a low dividend. As the number of foreign-owned shares rises, the proportion of profit distributed increases accordingly. This result is in line with agency theory, which suggests that the dividend is a tool for resolving conflicts of interest, and thus reducing agency costs. What's more, the best-performing companies in Cameroon are owned by foreigners, who hold a large, sometimes concentrated, majority stake. They therefore demand a substantial return on their capital.

Analyses also show that companies with low dividend payouts in Cameroon do not attract foreign capital. Indeed, foreign ownership is negatively determined by the dividend payout ratio when the latter is low. However, high investor remuneration improves the inflow of foreign capital. These results corroborate the predictions of signal theory, the substitution model as a model for regulating shareholder-manager agency relations, and the customer effect of dividends. In Cameroon, foreign shareholders prefer high-dividend-paying companies, as the dividend has an information content that sends out positive signals. Similarly, the high dividend is seen as a good substitute for the limited shareholder protection system that characterizes the context.

Cameroon, as a country brimming with investment opportunities in all the productive sectors of its economy, requires a significant influx of capital, which only the presence of foreign investors can guarantee.

The results obtained in this study therefore suggest that, the public authorities should consolidate the legal framework for investment protection, and adopt a flexible tax system for income generated by companies and allocated to shareholders as remuneration. What's more, given the performance and competitiveness deficit particularly experienced by the public companies and establishments as a result of poor governance and corruption¹⁰, the presence of foreigners in their shareholding seems to be a solution with a view of improving distributable results at the end of the financial year. Analyses also revealed the need to strengthen the system for producing and publishing quality information accessible to local and foreign investors.

However, the results suggest questions about the trade-off between the optimal level of foreign ownership of companies in Cameroon¹¹ and the optimal rate of dividend distribution. Answering these questions would help to strike a balance between the need to attract foreign capital and promote local shareholding on the one hand, and the imperative of limiting the reverse flow of capital in order to promote the self-financing of investments, on the other.

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¹⁰ IMF (2021), Cameroon: Strengthening oversight, governance and control of budgetary risks in the management of public enterprises

¹¹ In Cameroon, the investment code limited foreign ownership to 65%. This limitation was repealed by the Investment Charter, adopted in April 2022, which allows foreigners to hold up to 100% of the capital of a company operating on national territory.

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