

Studying of Relation between Agency Cost and Institutional Shareholders with Distributed Income

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Abstract : The policy of dividends has been an interesting topic for a long time in financial literature. There are some studies about the policy of dividends, but a lot of them are in developed markets. It's possible that there were differences between new and developed markets in some aspects. According to theoretical literature, agency costs and institutional stockholders affect on dividend payout ratio. In this research, free cash flow, collateralizable assets and dispersion of ownership are considered as agency cost factors that cause an interesting contrast between managers-stockholders and stockholders-credit makers. Generally, agency costs for managing the firm by manager or managers are created, and they appear when management is separated from ownership. The purpose of this research is to study the effect of free cash flow, collateralizable assets, dispersion of ownership and institutional stockholders on the dividend payout ratio of accepted firms in the Tehran Stock Exchange. 64 nonfinancial firms in the Tehran Stock Exchange were considered as samples of our experiment for the period of 2017-2022. Correlation and regression tests have been used to identify the relationship of dividend payout ratio with variables of agency costs and institutional stockholders. The results show that free cash flow and institutional stockholders in a positive way and dispersion of ownership in a negative way are related to the dividend payout ratio. But book value and cost of collateralizable assets have no influence on the dividend payout ratio.

Keywords : agency costs, institutional stockholders, free cash flow, dispersion of ownership, collateralizable assets, dividend payout ratio

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