

The Relationship between Ownership Structure and Dividend: An Application in Istanbul Stock Exchange¹

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Abstract

This study defines the ownership structures of 271 real and banking sectors companies registered in the Istanbul Stock Exchange between 2004-2011 years and the impact of ownership structure on dividend was determined by panel data analysis. According to the results of the analysis, it has been observed that the largest shareholder has about 45.37 percent of the shares. Therefore, it has been concluded that companies in the real and banking sector has mostly concentrated ownership structure. Ownership structure is described with two main sub-variables: ownership concentration and ownership composition. It is determined that increase in the concentration of ownership increases the proportion of cash dividend. As the free float rate increases, dividend payout ratio decreases. A negative relationship was found out between the foreign ownership of ownership composition variables and dividend payout ratio. This result is statistically significant. Accordingly, the more is the ratio of the foreign ownership, the less is the dividend rate. In addition, increase in the ratio of managerial ownership decreases dividend payout ratio. However, this result is not statistically significant.

Keywords: Ownership Structure, Ownership Concentration, Ownership Composition, Corporate Governance, Dividend Policy

I. Introduction

Lack of theories regarding the dividend policies in identification of the firm value has led researchers to further discussion on this subject. Modigliani and Miller's (1961) claim "Perfect markets do not have an impact on a company's dividend decisions" deepened these discussions. On the other hand, Lintner (1962) and Gordon (1963) put forward the idea of "High dividend payment is associated with the value of the high companies in a world of uncertainty and incomplete information" in his Bird-in-Hand Theory. Aforementioned discussion in the finance literature then reached to different dimensions, but the problem continued, as Black (1976) suggested, like a jigsaw puzzle pieces that fail to comply with each other stagnant in the same point.

As mentioned in the work of Aniland Kapoor (2008), there is a consensus that a single factor cannot explain the behavior of the dividend. For this reason, financial researchers determined some factors specific to company in terms of taking dividend decisions (including the ownership structure). The first of these factors proposed for dividend decisions is the problem of information asymmetry between executives and shareholders associated with imperfect capital markets.

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Described as signal theory according to this theory, dividend policies are assuming the task of special knowledge transfer tool from dividend management policies to shareholders. Empirical evidences not only prove that there is a relationship between the recent past, future business performance and dividend policies but also (De Angelo et al. 1992; Benartzi et al. 1997; and Nissim and Ziv, 2001) ; confirm investors are familiar with the value of the company shares. (Aharony and Swary, 1980; Asquith and Mullins, 1983 and Healy and Palepu, 1988) In addition to these, empirical evidences reveal that dividends are being used for public informational purposes(signal effect) by management (Bhattacharya, 1980; Miller and Rock, 1985 and John and Williams, 1985).

The second factor taking dividend decision is agency problem which is caused by conflicts of interest between shareholders and managers. According to this theory, called as dividends' agency costs; power of attorney and proxy should maximize the benefits of their own behavior. As a natural result of this situation, it can be seen that each interest group, who are the subject of the contract, focused on increasing their own interests. As a solution to the agency problem, Jensen and Meckling (1976), Rozeff (1982), Easterbrook (1984) and Jensen (1986) support the relationship between the existence of institutional theories, ownership structure and dividend behaviors along with the opinion of the "Dividends indirectly give the shareholders the possibility of monitoring the management of a company." Dividends can reduce this problem by restricting the power and authority of the administrator on management who continuously refers to the capital market for funds.

Another important factor affecting dividend policies is the ownership and control structures of companies. Shareholders, having different potential in companies, have different rights in management according to the proportion of their shares. Controlling shareholders who have more shares can have a voice in shaping the minority shareholders who have interests of the company; directly intervening the decision making and execution activities (Yıldız et al. 2014). Although there are some studies carried out regarding the exemplar ownership structure in Turkey, it is possible to say that there are no studies carried out for the empirical studies which examine the relationship of "ownership structure-dividend". For this reason, this study aims to fill the deficiency in this field and also contributing to the shareholders, potential investors, managers and researchers who will do research on this subject.

This study observes the relationship between the concept of the ownership structure of a company and dividend on the Turkish companies. The aim of the study is to show different ownership structures of the 271 companies which operate in Istanbul Stock Exchange in 2004-2011 and test whether there is a relation between this structure and dividend payments by panel data analysis. In this study, the concept of ownership structure will be addressed in two variables as ownership concentration and ownership composition hence, summary of the literature are explored through these two variables.

2. Literature Review

The ownership concentration corresponds to the shares of the individual or corporate shareholders in the distribution rate of shares of companies. In our study, variables of ownership concentration are represented in 4 sub variables as following; the largest shareholder ownership ratio (M1), the second largest shareholder in the ownership ratio (M2), the third-largest shareholder in the ownership ratio (M3), and free float rate (PR). For this reason, in this section test studies are included about the relation between sub variables and dividend. The largest shareholder means the maximum stake partner among the company shareholders.

When ranked from top to bottom according to the shares of the stakeholders, one that is located on the top is the largest shareholder. Studies of Maury and Pajuste (2002) in Finland; Gugler and Yurtoğlu (2003) in Germany; Thomsen (2005) in continental Europe Countries; Renneboog and Trojanowski (2005) in United Kingdom; Mancinelli and Özkan (2006) in Italy; Chkir and Saadi (2007) in Canada; Amoako-Aduet al. (2009) in United States; Vintila and Moscu (2012) in Romania and Berezinets et al. (2014) in Russia concluded that there is a negative relationship between the ownership ratio of the largest shareholder and dividend.

In other words, as the proportion of shares owned by the largest shareholder increases, dividend payout ratio reduces. On the other hand, Wallgren (2006) in Sweden; Ramli (2010) in Malaysia; Daradkah and Ajlouni (2013) in Jordan; Thanatawee (2013) in Thailand and Thanatawee (2014) in China observed the companies there and concluded that there is a positive relationship between the ownership ratio of the largest shareholder and dividend. In other words, growth in the proportion of largest shareholder in the company, increase the dividend payout ratio.

According to the studies of Bena and Hanousek (2006) in Czech Republic; Sharif et al. (2010) in Iran and Dandago et al. (2015) in Nigeria, it is concluded that there is no statistical significance relationship between the ownership ratio of the largest shareholder and dividend. The second-largest shareholder has the second largest share among the partners. When ranked from top to bottom according to the shares of the stakeholders, one that is located in the second row from the top.

Studies of Maury and Pajuste (2002) in Finland; Renneboog and Trojanowski (2005) in the UK, and the Berezinets et al. (2014) in Russia concluded that there is a negative relationship between ownership ratio of the second largest shareholder and dividend. In other words, as the share ratio of the second largest shareholder increases, dividend payout ratio reduces. According to the results Gugler and Yurtoğlu (2003) in Germany and Ramli (2010) in Malaysia obtained from companies, there is a significant and positive relationship between the share ratio of the second largest shareholder and dividend. In other words, growth of the ratio of shares owned by the second largest shareholder increases the dividend payout ratio.

The third-largest shareholder has the third largest share among the partners. When ranked from top to bottom according to the shares of the stakeholders, one that is located in the third place from the top. Studies of Maury and Pajuste (2002) in Finland and the Berezinets et al. (2014) in Russia concluded that there is a significant and negative relationship between the share ratio of the third largest shareholder and dividend. In other words, growth of the ratio of shares owned by the third largest shareholder decreases the dividend payout ratio. If a company presents its capital market shares for fund, this is called public flotation. With this method, which provides direct funding, a company can assure funding by selling a portion of the existing shares in the capital market. When a company sells its shares in the capital market rate, it is called as free float rate.

Studies of Wei and Xiao (2009) in China and Thanatawee (2013) in Thailand concluded that there is a significant and negative relation between the free float rate and dividend. In other words, as the percentage of free float rate increases, dividend payout ratio reduces. According to the Abbasiyan and La Lbar (2013) studies in Tehran, it is concluded that there is a negative relationship between free float rate and dividend. However, this result is not statistically significant.

The ownership concentration concept corresponds to the distribution rate of shares for individual or corporate shareholders of the companies. However, it does not provide information about the structure of ownership. As the ownership concentration concept is insufficient to explain the concept of ownership structure, we will combine ownership concentration and ownership composition variables in our study. Ownership composition points out the shareholders of the enterprise as individual or corporate. In our study, ownership composition variable composes of managerial and foreign ownership concepts. For this reason, test studies regarding the relationship of the dividends between these variables are mentioned below.

If a shareholder takes part in the top management of the company, managerial ownership can be the subject. According to the result of the studies of Agrawal and Jayaraman (1994) in the United States; Stouraitis and Wu (2004) in Japan; Karathanassis and Chrysanthopoulou (2005) in Greece; Holmen et al. (2008) in Sweden; Farinha and Foronda (2009) in the United States; United Kingdom and Ireland; Hommel (2011) in Netherlands; Houcine and Ajina (2013) in France, there is a significant and negative relationship between managerial ownership and dividend. In other words as the managerial ownership increases, dividend payout ratio on decreases. However, according to the results of studies of Kumar (2006) in India; Hardjopranoto (2006) in Indonesia; Huda and Abdullah (2013) in Bangladesh; Jojadeh and Pouraghajan (2014) in Tehran; Vo and Nguyen (2014) in Vietnam and Uwalomwa et al. (2015) in Nigeria, there is a significant and positive relationship between managerial ownership and dividend. In other words, growth of managerial ownership in companies increases dividend payout ratio. According to the study of Mehrani et al. (2011) on Iran origin companies, there is no statistically significant relationship between managerial ownership and dividend.

Foreign ownership company means there is a foreign shareholder in a company. If there is another shareholder residing in the company's operated country, in this case concept of foreign shareholder may be referred. According to the studies of Baba (2009) in Japan; Chai (2010) in Korea; Ullah et al. (2012) in Pakistan and Dandago et al. (2015) in Nigeria; the relationship between foreign ownership and dividend is statistical significant and positive. In other words, growth foreign ownership in a company, increases dividend payout ratio.

According to the result of the studies of Lamet et al. (2012) obtained from the businesses that operate in China, there is a statistically significant and negative relationship between foreign ownership and dividend. In other words, the increase in foreign ownership reduces the dividend payout ratios. According to the studies of Kumar (2006) in India; Bogonko (2013) in Kenya and Vinh (2014) in Vietnam, there is not a statistically significant relationship between foreign ownership and dividend.

3. Data, Methods and Hypotheses

Companies have been selected among publicly-traded companies in Istanbul Stock Exchange. A total of 271 companies' data has been carefully collected which operate in the real and banking sectors between the years of 2004-2011. The idea here is to get reliable results by examining the dividend payout of the firms that have different ownership structures. Consequently, 2168 data are analyzed of these 271 companies for 8-year data (271 x 8). These data are collected from the Istanbul Stock Exchange's official web site and public information published in Public Disclosure Platform.

Different data sets can be used in econometric research. These obtained data sets can be described with the model in accordance with structure. The impact of ownership structure on dividend is observed by panel data analysis as can also be seen in the work of Karathanassis and Chrysanthopoulou(2005), Ramli (2010), Hommel (2011), Abbasiyan and Lbar (2013), Bogonko (2013) and Jojadeh and Pouraghajan (2014).

Panel data analysis is a research method that enables economic relations to be measured, time series data and cross-sections are combined. In our research, we brought together time series with the data section, thus, a data set has been created where a combination of both time and cross-section data was used. It covers time data from 2004-2011, cross section data consists of 271 companies.

The ownership structure concept in our study is discussed by two variables including "the ownership concentration" and "the ownership composition". Ownership concentration focus on the individual or corporate shareholders' proportion of shares they own in the distribution of shares of the company. Whereas ownership composition determines the individual and enterprise shareholders, in other words, the identity of the shareholders(whether there are managerial or foreign shareholders in companies).

In our study, effect of "Ownership concentration" and "ownership composition" concepts on dividend payout ratio rate will be observed with the help of control variables such as Earnings Per Share (EPS), Number of Members of The Board of Directors (NOD), Return on Assets(ROA). Therefore, following hypotheses are recommended:

Hypothesis 1: Dividends payments are a function of "ownership concentration". Therefore, increase in ownership concentration triggers increase in dividend payments.

Dividend: $f(\text{Earnings Per Share}_{it}, \text{Board Members Number}_{it}, \text{Return on Assets}_{it}, \text{Ownership Concentration}_{it})$

Hypothesis 2: Different "ownership compositions" has different distinctive features. These features also affect payments for dividends.

Dividend: $f(\text{Earnings Per Share}_{it}, \text{Board Members Number}_{it}, \text{Return on Assets}_{it}, \text{Ownership Concentration}_{it})$

Table.1. Variables Used In the Model

Variables	Definitions	Calculation Type
Dependent Variables		
DIVID	Dividend Payout Ratio	Proportion of the nominal value of TL 1 for 1 unit net cash paid dividend
Independent Variables		
Ownership Concentration Variables		
M1	The Largest Shareholder's Ownership Ratio	Ratio of the largest shareholder of a company from the total shares
M2	The Second Largest Shareholder's Ownership Ratio	Ratio of the second largest shareholder of a company from the total shares
M3	The Third-Largest Shareholder's Ownership Ratio	Ratio of the third shareholder of a company from the total shares
FFR	Free Float Rate	The ratio of a company's publicly traded shares
Ownership Composition Variables		
FO	Foreign Ownership	Dummy variable is "1" if a foreign shareholder exists in a company, otherwise, a value of "0".
MO	Managerial Ownership	Dummy variable is "1" if the Chairman of the Board of Directors has also the title of General Manager, otherwise, a value of "0".
Control Variables		
EPS	EarningsPer Share	Proportion of the average net profits of a company along with total shares
NOD	The Number of Members of The Board Of Directors	The total number of members in the Board of Directors of a company
ROA	Return on Assets	Proportion of average net profits of a company along with total assets

4. Findings

The largest shareholder in all companies (M1) holds 45.37% of the shares on average according to the ownership concentration variables descriptive statistics. As a result, it is not wrong to say that in terms of ownership concentration (OWC) "largest shareholder has a high share in companies under analysis". The second largest shareholder of the ownership concentration variables has 9, 59% share in total partners, third-largest shareholder's ownership ratio is 2, 79%, free float rate is 38, 13%.

Table.2. Descriptive Statistics of Ownership Concentration Variables

	M1	M2	M3	FFR
Mean	45.37	9.59	2.79	38.13
Standard Deviation	24.29	10.88	4.60	23.05
Minimum	0	0	0	0
Maximum	99.84	45.44	19.96	100

According to Table 3, there is a significant and positive correlation at the level of 1% between the largest shareholder ownership ratio and dividend payout ratio (DIVD), there is a significant and negative correlation between free float rate and dividend payout ratio (DIVD). There is not statistically significant correlation between ownership ratio of the second and third-largest shareholder and DIVD.

Table 3: The Correlation Analysis Between Ownership Concentration Variables (OWC) and Dependent Variable (DIVD)

Variables	M1	M2	M3	FFR
DIVD	0.1238***	0,0009	-0.0352	-0.1037***

Note: *** significant at the 1% level.

According to the foreign ownership variable descriptive statistics information, 22,69 % of 271 companies have foreign shareholders and there are no foreign shareholders for 77,31%. In other words, about 61 of the companies out of 271 have foreign shareholders, there are no foreign shareholders approximately 210 of the companies.

According to the managerial ownership variables, another ownership composition, descriptive statistics information, 5,67% of the total 271 companies Chairman of the Board has also the title of general manager, chairman of the Board of Directors is not General Manager of 94,33% of the total 271 companies. In other words, same person act as the General Manager and also Chairman of the Board of Directors in 15 companies of total 271 companies, whereas, in 256 of the companies general manager and chairman of board are different people. Correlation of dependent variable dividend payout ratio (DIVD) and ownership composition (OCOM) variables can be seen from the table 4 as following:

Table.4: The Correlation Analysis Between Ownership Composition (OCOM) Variables and Dependent Variable (DIVD)

Variables	FO	MO
DIVD	0.0939***	0.0366*

Note: ***, * significant at the 1% and 10% level, respectively.

According to Table 4, there is a significant and positive correlation at the level of 1% between dividend payout ratio (DIVD) and foreign ownership, there is a significant and positive correlation at the level of 10% between managerial ownership and dividend payout ratio (DIVD).When ownership concentration(OWC) and ownership composition (OCOM) variables are discussed with ownership structure concept in this study, relationship between ownership structure and dividend will be explained by these two concepts. Dividend variable will be expressed by the dividend payout ratio (DIVD) in the analysis. Relationship of ownership concentration variables (M1, M2, M3, FFR) with the dividend payout ratio (DIVD) are examined by the Panel data analysis method with the help of control variables. Findings obtained as a result of these analyses are given in Table 5 as following:

Table 5: The Relationship between Ownership Concentration (OWC) and Cash Dividend Payout Ratio (DIVD)

Variables	Dependent Variable DIVD			
	Model 1	Model 2	Model 3	Model 4
Constant	-0.5327915 -2.70***	-0.3426284 -1.89*	-0.3549107 -2.00**	-0.1676589 -0.86
M1	0.0042985 2.07**			
M2		-0.0004192 -0.09		
M3			0.0029725 0.35	
FFR				-0.0043275 -2.12**
EPS	0.1968362 30.48***	0.1969574 30.46***	0.1969818 30.46***	0.1968937 30.49***
NOD	0.0800391 2.91***	0.0814014 2.95***	0.0813965 2.95***	0.0792175 2.88***
ROA	-0.0041236 -2.93***	-0.0041052 -2.91***	-0.0041213 -2.92***	-0.004188 -2.97***
R-squared	0.4573	0.4559	0.4548	0.4544
F-statistic	237.44***	235.83***	235.87***	237.51***

Note: ***, **, * significant at the 1%, 5% and 10% level, respectively.

According to the Table 5, in each of the four models there is a significant statistical result with the level of 1%. In addition, explanatory power of each of the four model description is about 45%. According to the results of the analysis, there is a significant and positive relationship of 5% between the ownership of the largest shareholder and dividend payout ratio (DIVD) in terms of ownership concentration (OWC) and relationship between the dividend. In other words, as the share rate of the largest shareholder increases, dividend payout ratio also increases. Our obtained conclusion is consistent with the results of Wallgren (2006), Ramli (2010), Daradkah and Ajlouni (2013), Thanatawee (2013) and Thanatawee (2014). However, our conclusion differs from the results obtained through the studies of Maury and Pajuste (2002) Gugler and Yurtoğlu (2003), Thomsen (2005), Renneboog and Trojanowski (2005), Mancinelli and Özkan (2006), Chkir and Saadi (2007), Amoako-Aduvd, (2009), Vintila and Moscu (2012), and Berezinets et al. (2014). Authors concluded that there is a negative relationship between the ownership of largest shareholder and dividend. In addition, our conclusion differs from the results of Bena and Hanousek (2006), Sharif et al. (2010) and Dandago et al. (2015). Authors claim that there is not a statistically significant relationship between the largest shareholder and dividend.

There is a significant and negative relationship of 5% level statistically between the free float rate, as another ownership concentration (OWC) variable, and dividend. In other words, increase of free float rate, decreases dividend payout ratio. Our obtained conclusion is consistent with the results of Wei and Xiao (2009) and Thanatawee (2013). However, our results differ from Abbasiyan and La Lbar (2013) studies. Authors claim that there is not a statistically significant relationship between the free float rate and dividend.

According to the other obtained results about ownership concentration, as the second shareholders' share increases in a company, dividend payout ratio decreases. However, this result is not statistically significant. Our conclusion differs from the result of Maury and Pajuste (2002), Renneboog and Trojanowski (2005) and Berezinets et al. (2014) studies. Authors concluded that there is a statistically significant and negative relationship between second shareholder's ownership rate and dividend. In addition, our conclusion also differs from the results of Gugler and Yurtoğlu (2003) and Ramli (2010). Authors found out that statistically there is a significant and positive relationship between second shareholder's ownership rate and dividend.

According to the other obtained results about ownership concentration, as the third shareholders' share increases in a company, dividend payout ratio increases. However, this result is not statistically significant. Our conclusion differs from the result of Maury and Pajuste (2002) and the Berezinets et al. (2014) studies. Authors concluded that there is a statistically significant and negative relationship between third shareholder's ownership rate and dividend.

There is a statistically significant and negative relationship at the level of 1% between one of the control variable "ROA" variable and "DIVD" variable. Due to the "ROA" variable coefficient is negative, there is a reverse relationship. In other words, as the company's return on assets increases, dividend payout ratio decreases. However, our conclusion differs from the study result of Baba (2009), Wei and Xiao (2009), Chai (2010), Ramli (2010), Lam et al. (2012), Houcine and Ajina (2013), Thanatawee (2013), Thanatawee (2014), Dandago et al. (2015). Authors believe that there is a positive relationship between ROA and dividend.

There is a statistically significant and positive relationship at the level of 1% between other control variable as "EPS" and "DIVD". In other words, as the earnings per share increases, dividend payout ratio increases. However, our conclusion differs from the results of Chkir and Saadi (2007). Authors believe that there is a negative relationship between EPS and dividend. In addition, our conclusion differs from the results of Sharif et al. (2010) and Jojadeh and Pouraghajan (2014). Authors claim that there is no significant relationship between EPS and dividend.

There is a statistically significant and positive relationship at the level of 1% between the last control variable as "NOD" and "DIVD". In other words, an increase in the number of members of the Board of Directors of a company results in increased dividend payout ratio. Relationship between ownership composition (OCOM) variables (FO and MO) and dividend payout ratio (DIVD) are discussed by two models we created. According to the results of the analysis findings are reported at the Table 6 as the following.

Table 6: The Relationship Between Ownership Composition (OCOM) And Cash Dividend Payout Ratio (DIVD)

Variables	Dependent Variable (DIVD)	
	Model 1	Model 2
Constant	-0.2677381 -1.51	-0.3268301 -1.85*
FO	-0.3251226 -3.10***	
MO		-0.1460471 -1.15
EPS	0.1962337 30.41***	0.1974629 30.48***
NOD	0.0806713 2.94***	0.0795324 2.88***
ROA	-0.0041058 -2.92***	-0.0040999 -2.91***
R-squared	0.4334	0.4569
F-statistic	239.43***	236.32***

Note: ***, **, * significant at the 1%, 5% and 10% level, respectively.

There are statistically significant results obtained from both models as the Table 6 is observed. First model's explanatory power is approximately 43%, whereas, second model's explanatory power is approximately 45%. There is a statistically significant and negative relationship at the level of 1% between foreign ownership (FO) and dividend (DIVD). In other words, existence of foreign ownership in companies reduces dividend payout ratio. Our obtained conclusion is consistent with the results of Lam et al. (2012). However, our conclusion differs from the results of Baba (2009), Chai (2010), Ullah et al. (2012), and Dandago et al. (2015). Authors claim that there is a statistically positive relationship between foreign ownership and dividend. In addition, our conclusion differs from the results of Kumar (2006), Bogonko (2013) and Vinh (2014). Authors claim that there is no statistically relationship between foreign ownership and dividend.

According to the results, existence of the managerial ownership (MO) in companies reduces the dividend payout ratio (DIVD). However, this result is not statistically significant. Our obtained conclusion is consistent with the results of Mehrani et al. (2011). However, our conclusion differs from the results of Agrawal and Jayaraman (1994), Stouraitis and Wu (2004), Karathanassis and Chrysanthopoulou (2005), Holmen et al. (2008), Farinha and Foronda (2009), Hommel (2011) and Houcine and Ajina (2013). Authors claim that there is a statistically and negative relationship between managerial ownership and dividend. In addition, our conclusion differs from the results of Kumar (2006), Hardjopranoto (2006), Huda and Abdullah (2013), Jojadeh and Pouraghajan (2014), Vo and Nguyen (2014) and Uwalomwa et al. (2015). Authors claim that there is a statistically and positive relationship between foreign ownership and dividend.

6. Discussion and Conclusion

According to the results of the analysis, there is a significant and positive relationship of 5% between the ownership ratio of the largest shareholder, as one of the ownership concentration variables, and dividend. In other words, as the largest shareholder's share increases in companies, dividend payout ratio also increases. This situation enables the largest shareholder to intervene the management decisions with the one share-one vote rule movement. Moreover, largest shareholder can put pressure on managers and minority shareholders so that they will work hard and perform efficient Project investment, thus, minimize the problem of agency cost which can occur for a variety of reasons. This provides increased company profits. Increased profit of a company also increases dividend ratio. Therefore, investors whose aim is obtain the dividends are able to perform their investment for largest shareholders of companies with high ownership ratio.

There is a significant and negative relationship of 5% level statistically between the free float rate, as another ownership concentration variable and dividend. In other words, increase of free float rate in companies, decreases dividend payout ratio. The reason for this situation is explained in the following way: Increase of free float rate will stimulate the control of the manager. Having the power and authority, manager will try to secure his position. Rather than company's interest, manager will keep his very own interests at the forefront who will not encounter the risk of being expelled from the company due to a failure. In this case, power of agency costs will increase costs arising from the manager. Increased costs will affect the profit in a negative way. The fall of profit will result in decrease on dividend payout ratio.

Companies with high free float rate have more undistributed profits due to their dispersed ownership structure. These types of companies can use their retained earnings for growth. Therefore, investors aiming for growth can direct their investments to the companies which have high free float rate. According to the other results obtained regarding ownership concentration, there is no statistically significant relationship between the second largest shareholder and third largest shareholder. According to the study regarding the relationship between the control variables and dividend, it is statistically significant and negative at the level of 1%. In other words, as the company's active profitability increases, dividend payout ratio decreases. So it is not wrong to say that as the companies have return of assets increases as a result of profits from the invested assets, it encourages business management to invest again in different fields. Therefore, obtained profit partially or completely transferred to new investments instead dividend payment.

There is a statistically significant and positive relationship at the level of 1% between other control variable as "EPS" and dividend. In other words, as the earnings per share increase, dividend payout ratio increases. The higher is the profit, the higher is the dividend. Therefore, businesses' dividend rate is directly proportional to the profit. There is a statistically significant and positive relationship at the level of 1% between the last control variable as "NOD" and dividend. In other words, an increase in the number of members of the Board of Directors of a company results in increased dividend payout ratio. As the board of directors of the firms examined, it can be said that they are generally formed by the company shareholders. When different high percentage shareholders come together and establish a new company this leads the increase in the number of the members of board of directors. Company shareholders' preference of distributing the profit to the shareholders is also consistent with the "Bird- in- Hand Theory" in financial literature. According to Gordon and Lintner, think that dividends to be paid to investors are more guaranteed than the dividend used for the company's growth. The future is uncertain and contains risks. Losing the current dividend in order to bring more gain makes current dividend more attractive. In this study, same deduction is made as the "Bird- in- Hand Theory" which points out the risk of losing the current profit for a better return. There is a significant and negative relationship at the level of 1% between foreign ownership, as one of the ownership composition variables and dividend. According to the obtained result, increased foreign ownership cause a reduction in dividend payout ratio. Companies including foreign shareholders have strategic advantages in competitive sectors. Values that are brought by foreigner shareholders provide advantages for enterprises.

According to our outcome, foreign shareholders prefer not to distribute these profits to their shareholders or distribute only low amount and use retained earnings for investment. Therefore, low dividend distribution between shareholders is in question. Consequently, investors who aim to increase in size can invest on companies that have high rate of foreign ownership. According to the other obtained outcome, as the managerial ownership increases, dividend payout ratio reduces. However, this result is not statistically significant. As result of our study, we can say that ownership structure has an effect on dividend. Shareholders should pay attention to this issue while they take dividend decisions. In addition, potential investors should consider the ownership structure of the companies they plan to invest in share which will be useful for their future.

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