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EXTENDING SOCIO EMOTIONAL WEALTH THEORY: HOW FAMILY INVOLVEMENT SHAPES THE IMPACT OF BOARD GENDER DIVERSITY ON DIVIDEND PAYOUT?

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Abstract

This research examined the moderating effect of family involvement, on the connection between board gender diversity and dividend payout. The study analysed data from 90 non-financial Saudi firms, from 2016 to 2023. The data were analysed with (OLS) regression while a generalised Method of Moments (GMM) was applied for robustness testing. Empirical research revealed that female diversity on boards significantly enhanced the dividend payouts of Saudi companies. Further, the study results underscored that firm monitoring combined with family engagement, may function as essential control mechanisms, that might mitigate agency conflicts, resulting in increased dividend payouts. This study examined how the interplay between family involvement and board gender diversity, may influence dividend payout. Therefore, the research would enhance the existing knowledge by revealing a more effective control governance method, especially in emerging countries, characterised by inefficient markets and elevated ownership concentration.

Keywords: *board gender diversity; dividend payout; family involvement; Saudi listed firms*

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1. Introduction

Dividend payout is regarded as a significant decision-making domain in corporate finance literature, illustrating a firm's perspective **(Brav, Graham, Harvey, & Michaely, 2005)**. In companies with concentrated ownership in emerging markets, the usual conflict between owners and managers is lessened because the main shareholders limit how much freedom managers have in using resources **(Basheer, Gupta, Raoof, & Waemustafa, 2021; Ghalke, Haldar, & Kumar, 2023)**. In such companies, a conflict of interest can occur between large and minority shareholders, as large shareholders may prioritise their own interests, which may not align with those of minority shareholders **(Jiang & Kim, 2020;**

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La Porta, Lopez de Silanes, Shleifer, & Vishny, 2000; Pandey, Andres, & Kumar, 2023). Therefore, substantial family ownership exacerbates agency issues between controlling shareholders and external parties. The board of directors has the responsibility for making significant choices for the corporation, such as determining dividend payout **(Abor & Fiador, 2013)**. The success of these decisions relies on the specific qualities and attributes of the board. One of the most significant aspects of corporate governance is the presence of gender diversity on boards, which helps to strengthen their monitoring function **(Martinez-Jimenez, Hernández-Ortiz, & Cabrera Fernández, 2020)**. The inclusion of females on board enhances the quality of financial reporting, encourages responsible business behaviour and boosts the success of the company **(Pucheta-Martínez, Bel-Oms, & Olcina-Sempere, 2018)**. The assumption is that the inclusion of females on boards will reduce conflicts of interest, that arise between managers and shareholders, due to the distribution of free cash flow **(Gyapong, Ahmed, Ntim, & Nadeem, 2021)**. Further, the study also examined, within the framework of the socioemotional wealth approach, whether family involvement moderates the association between board gender diversity and dividend payout. Decision-making such as payout policy in family enterprises is posited rather than non-family firms because they prioritise non-financial benefits above financial benefits **(Gomez-Mejia, Cruz, Berrone, & De Castro, 2011)**. The literature mainly indicates that the achievement of socioemotional benefits would be at the cost of financial returns but inversely, many reviews and empirical studies demonstrate that family-controlled firms generally outperform their non-family counterparts **(Martin & Gomez-Mejia, 2016; van Essen, Carney, Gedajlovic, & Heugens, 2015)**. In other words, socio emotional and financial goals may be jointly reinforcing each other. Now, there is limited understanding of the interaction between the financial and non-financial benefits of family firms. The prevailing literature often suggests that the pursuit of socioemotional wealth leads to less financial benefits, suggesting an inverse relationship between socioemotional benefits and financial benefits **(Miller & Le Breton-Miller, 2014; Schulze & Kellermanns, 2015)**.

2. Review of Literature

Previous studies, examining the effect of board gender diversity on dividend payout, present mixed findings. Several studies examined the direct association between board gender diversity and dividend payout **(Gyapong et al., 2021; Jiraporn, Bouattour, Hamrouni, & Uyar, 2019; Thompson & Adasi Manu, 2021; Ye, Deng, Liu, Szewczyk, & Chen, 2019)** and found that board gender diversity positively influences dividend payout. This result indicates that board gender diversity contributes to resolving the principal-agent issue and alleviating opportunism. However, studies in developing countries show that having female directors can lower dividend payments, indicating that women on boards may trade-off between improving the company's reputation and paying dividends, according to the substitution hypothesis. Prior research suggests, both theoretical and empirical evidence, for favourable and negative correlations between female directors and dividends **(Anuar, Aziz, Mohamad, & Hashim, 2020; Nadia & Hanafi, 2023; Saeed & Sameer, 2017; Sanan, 2019)**. **Saeed and Sameer (2017)** demonstrate the negative impact of board gender diversity on dividend payout because financial strategies, used by female directors, are cautious, especially in uncertain economic contexts of financial crises. Several studies have examined the relationship between family involvement and dividend payout, yielding mixed results. For instance, **Setia Atmaja (2010)** argues that family businesses do not have to make use of cash distributions to alleviate the agency conflicts. **Morck and Yeung (2003)** contend that family businesses may choose to pay higher dividends to reduce the adverse effects of entrenchment, which is a result of family control. In addition, family businesses are driven by non-financial considerations, such as protecting the family's welfare, reputation and independence **(Smajić, Palalić, & Ahmad, 2023)**. Family businesses are also motivated by the desire to benefit their family members. Therefore, in addition to monetary rewards, family members tend to exhibit a positive reputation through paying higher dividends. **González, Guzmán, Pombo, and Trujillo (2014)** highlight the fact that family businesses may have a preference for paying higher dividends to avoid control issues and to maintain their reputation. **Isakov and Weisskopf (2015)** demonstrated that family companies, in Switzerland, pay higher dividend payouts compared to firms with other ownership types. **Michiels, Uhlaner, and Dekker (2017)** demonstrate that family-owned businesses, that are better organised, pay higher dividends to their shareholders than those that are less reputable.

3. Statement of the Problem

The conflicts of interest between control shareholders and minority shareholders are considerable globally, especially in nations with weak legal protections for minority shareholders, such as Saudi Arabia. To shed light on how family-owned companies address this issue in Saudi listed firms, the research question was framed, does board gender diversity influence dividend payout? and does this influence vary, based on family involvement as a moderating variable?'

4. Need of the Study

After reviewing the related literature, it was found that there is lack of research, examining the correlation between board gender diversity and dividend payout in Saudi Arabia. Further, prior research **(Almeida, Morais, & Coelho, 2020; Benjamin & Biswas, 2019; Chen, Leung, & Goergen, 2017; Khan, 2022; Nadia & Hanafi, 2023; Saeed & Sameer, 2017; Yousef, Zighan, Aly, & Hussainey, 2024)** provided conflicting empirical evidence, about the impact of board gender diversity on dividend payout. Hence the study proposes to investigate, within the framework of the socioemotional wealth approach, whether family involvement moderates the association between board gender diversity and dividend payout. Decision-making such as payout policy in family enterprises is distinguished from non-family firms because they prioritise non-financial benefits above financial benefits **(Gomez-Mejia et al., 2011)**. The research would fill the gap in the literature, by focusing on Saudi-listed companies, which have a lot of family influence and ownership concentration. Literature has not adequately addressed this scenario. No study is known to have investigated how family involvement affects the link between board gender diversity and dividend payout in Saudi Arabia. The research adds to the continuing debate over how to create governance structures for family businesses, that strike a balance between financial and non-financial rewards. By integrating governance mechanisms with the SEW framework, this study extends the SEW theory to reveal the complementary role of governance mechanisms (board gender diversity) and socioemotional priorities, in shaping family firms' financial policy

5. Objectives of the Study

The primary objective of this study was to examine the impact of socioemotional wealth priorities in family firms, specifically how the family's desire to maintain control and influence over the firm's decisions affects dividend payout. The following were the objectives to achieve this aim:

1. To examine the effect of board gender diversity on dividend payout in the Saudi listed firms.
2. To investigate whether and how family involvement moderates the relationship between board gender diversity and dividend payout.
3. This study aims to discover insights for policymakers and corporate governance practitioners, regarding the design of board composition strategies, that effectively balance socioemotional wealth considerations with dividend policy.

6. Hypotheses of the Study

Sanan (2019) discovered that Indian companies, with greater percentage of female directors, reported lower dividend payouts. Thus, the substitution hypothesis is particularly evident in the presence of heightened agency issues in developing economies. **Nadia and Hanafi (2023)** found that the existence of women negatively affected dividend payout. The results of the supplementary study demonstrated nonlinear relationship, confirming the substitute hypothesis. In addition, **Khan, Yilmaz, and Aksoy (2024)** and **Eluyela et al. (2019)** reveal that the board gender diversity does not significantly affect the dividend payout. The association between board gender diversity and dividend payout remains ambiguous. SEW implies that family enterprises would prioritise the preservation of familial influence, reputation, and socioemotional bonds, perhaps at the expense of mere financial benefits. Female directors are often linked to stakeholder-focused decision-making, enhanced transparency and less agency conflicts. In family enterprises, female board members may advocate increased dividends, to safeguard minority shareholders and improve the reputation of the company. Based on the reviewed empirical evidence, this study formulated the hypotheses.

H1: Board gender diversity is positively and significant associated with dividend payout in family firms.

According to **Fama and Jensen (1983)**, the convergence of ownership and management mitigates the agency issue, that exists between managers and owners in businesses, which is influenced by family participation. As a result of the strong connection between the welfare of the family and the health of the family business, families have a tendency to carefully supervise managers or to be personally engaged in management **(Demsetz & Lehn, 1985)**. Several studies have examined the relationship between family involvement and dividend payout, yielding mixed results. For instance, according to **Setia Atmaja (2010),** family businesses do not have to make use of cash distributions to alleviate the agency conflicts. **Morck and Yeung (2003)** contend that family businesses may choose to pay higher dividends to reduce the adverse effects of entrenchment, which is the result of family control. In addition, family businesses are driven by non-financial considerations, such as protecting the family's welfare, reputation and independence **(Smajić et al., 2023)**. Family businesses are also motivated by the desire to benefit their family members. Therefore, in addition to monetary rewards, family members tend to exhibit a positive reputation through paying higher dividends. **González et al. (2014)** highlight the fact that family businesses may have a preference for paying higher dividends, to avoid control issues and to maintain their reputation. **Isakov and Weisskopf (2015)** demonstrated that family companies in Switzerland pay higher dividend payouts compared to firms with other ownership types. **Michiels et al. (2017)** demonstrate that family-owned businesses are better organised to pay higher dividends to their shareholders than those that are less reputable. On the other hand, **Vandemaele and Vancauteren (2015)** contend that family firms, with more emotional attachment, are more likely to pay less dividends to protect their socio-emotional wealth. According to **Sener and Akben Selcuk (2019)**, the presence of a family member in the board may result in reduction in dividends. **Hu, Wang, and Zhang (2008)** discovered that both founding family ownership and management have important influence on payout policy for family businesses, although these effects are not identical to one another. The dividend payout ratio of family businesses is lower than that of non-family businesses, and family businesses are less likely to pay dividends. **Wu, Ni, and Huang (2020)** demonstrate that companies in Taiwan, that are held by families, pay lower cash dividends than companies that are not controlled by families. **Al-Najjar and Kilincarslan (2016)** examined the effects of ownership structure on the dividend policy of 264 Istanbul Stock Exchange-listed firms in Turkey. Their results revealed negative relationship between foreign and government ownership and the payment of dividends. Their results also confirmed that ownership variables, such as family ownership, exerted significant negative effect on dividend payout ratios and dividend yields. Families can also maintain control via representation on boards. Typically, the controlling family is the primary source of top executives **(Faccio, Lang, & Young, 2001)**. **La Porta et al (2000)** analysed enterprises from 33 countries and asserted that the legal system in each nation is the primary driver of ownership structure. Countries, with a common law background, tend to pay out bigger dividends than those with a civil law system, which provides less protection for shareholders and this lack of protection leads to more concentrated ownership. Consequently, dividends may serve as a mechanism to safeguard investors from managerial expropriation. **La Porta et al. (2000)** suggest two models that explain dividend policies: the outcome model and the substitute model. The outcome model posits that dividend distribution results from an efficient system whereby minority shareholders exert pressure on the business to compel management to distribute earnings. The increased dividends stem from effective governance since insiders are acting in the shareholders' best interests. The substitution model posits that elevated dividends correlate with vulnerable minority shareholders. This concept posits that managers could use dividends to establish a reputation for equitable treatment of minority owners. **Kaur and Kaur (2025)** examined the dividend policies of 1,486 Chinese listed firms and demonstrated that family firms avoided distributing high cash dividends compared to nonfamily firms. The authors also found that a favourable institutional environment would encourage family firms to pay higher cash dividends by reducing entrenchment of family control, thereby providing support for the outcome model. The relationship between family ownership and dividend payout, in listed firms in Saudi Arabia, has garnered significant interest within the fields of board gender diversity and dividend payout due to its impact on organisational efficiency and stockholder value. In this context, the Saudi firms are more prone to be dominated by family involvement **(Al Nasser, 2020; Boshnak, 2023)**. In family enterprises, family engagement could enhance socioemotional wealth preservation goals, perhaps resulting in diminished dividends to retain resources inside the business. However, when the board exhibits gender diversity, female directors enhance oversight and promote the interests of minority shareholders. This improved oversight might mitigate family owners' drive to establish and align their interests with those of minority shareholders. The consequence is elevated dividend payout compared to those resulting from only family involvement. Based on these explanations, the following hypothesis was formulated.

H2: Family involvement moderates the relationship between board gender diversity and dividend payout in Saudi listed firms

7. Research Methodology

7.1 Sample Selection

For the empirical analysis, this study employed a sample of 90 Saudi firms, listed on the Tadawul **(Table 1),** for the period 2016 to 2023. The reason for selecting this period was that the Saudi Stock Market had introduced several adjustments, that might align with Saudi Vision 2030, to influence corporate governance regulations and capital market growth, and it is concurrently included in the Emerging Markets Index of Morgan Stanley Capital International (MSCI).

7.2 Period of Study

The study comprised data, during the period 2016 to 2023. The reason for selecting this period was that the Saudi Stock Market had introduced several adjustments, that might align with Saudi Vision 2030, to influence corporate governance regulations and capital market growth.

7.3 Sources of Data

The study data were obtained from the company's annual reports and corporate governance disclosures. The data, on firm age, were collected from the websites of Saudi-listed firms in Tadawul.

7.4 Tools Used in the Study

The study followed the work by **Martin and Gomez-Mejia (2016)**, who developed a conceptual framework of the SEW perspective, by explaining the integration of the behaviour agency model and a resource-based view, to provide a comprehensive understanding of SEW, that could influence family firm decision-making. It emphasises how family firms balance financial benefits, such as dividend policies, with non-financial ones, such as reputation and control. It underscores the complementary role of the governance system and socioemotional factors in shaping firm decisions such as dividend payout. This study employed two equations.

$$DP_{it} = \beta_0 + \beta_1 BGD_{it} + \beta_2 AGE_{it} + \beta_3 FS_{it} + \beta_4 GROWTH_{it} + \beta_5 ROA\ b_{it} + \beta_6 Industry + \beta_7\ year + \varepsilon_{it} \quad (1)$$

The moderating effect of family ownership on the relationship between the board gender diversity and dividend payout, was examined by using the following regression model:

$$DP_{it} = \beta_0 + \beta_1 BGD_{it} + \beta_2\ FM_{it} + \beta_3\ (BGD * FM)_i + \beta_4 FAGE_{it} + \beta_5\ FS_{it} + \beta_6\ GROWTH_{it} + \beta_7\ ROA_{it} + \beta_8\ Industry + \beta_9\ year + \varepsilon_{it} \quad (2)$$

8. Data Analysis and Interpretation

8.1 Descriptive Statistics

Table-2 displays mean, standard deviation, minimum and maximum values. The data revealed that the average dividend payout ratio (DP), for the sampled Saudi listed non-financial firms, was about 40%, signifying robust company performance throughout the specified period. The average representation of female directors was roughly 9% of the board size, showing low levels of participation. The average family involvement, in our sample enterprises, exceeded 15%. The average board independence was 47%, indicating that 47% of the board members in Saudi firms were non-executive members.

Table-3 presents the results of the OLS regression analysis and demonstrate that the coefficient of board gender diversity and dividend payout (BGD), was not only positive but also statistically significant. Based on the results shown in the **Table-3**, the adjusted R^2 value was 0.26, which implied that board gender diversity (BGD) may account for 26% of the changes that take place in a dividend payout. The results of the statistical test provided evidence that the model was relevant. The p-value of the model was lower than the accepted threshold of significance of 0.05, which demonstrated that the model was valid for testing the connection under study. The results of the statistical analysis revealed that board gender diversity (BGD) exerted significant effect on the dividend payout of a company, suggesting that firms with female members on the board, tend to enhance the board's monitoring function and reduce free cash flow concern as well as signal better governance practices to investors. Therefore, the hypothesis H1 was supported. This result supports the claim that increased female directors would ensure protection of shareholders' interests through paying high dividends. A significant positive correlation could be observed about the complementary role of governance in Saudi listed firms. The result of this study supports the agency theory because firms, with female members on the board, would help address concerns related to free cash flow. They are more likely to prefer to pay higher dividend payout, which makes management and shareholders' interests more aligned. As a result, management may be able to increase their dividend payments. According to **Byoun, Chang, and Kim (2016)**, **Almeida et al. (2020)** and **Gyapong et al. (2021)**, the results are in line with prior research, that reveals a relevant and positive association between board gender diversity (BGD) and dividend payout ratio (DP). Model Two presents the results of the moderating role of family involvement on board gender diversity-dividend payout relationship. The findings of Model Two, presented in **Table-3,** revealed that the F-tests indicated significant dividend payout of 1% (P-value = 0.000). Therefore, it was concluded that board gender diversity significantly influences dividend payout. The adjusted R-squared for the model was 0.275, which implied that about 27% of the differences in the dependent variables, could be explained by board gender diversity, family involvement and other control factors. In other words, the effect of board gender diversity on dividend payout, remains positive, regardless of existing family involvement. The findings reported that the board gender diversity significantly and positively influenced dividend payout. The significant positive finding may be attributed to the likelihood that increased board gender diversity in Saudi firms, promotes a more significant dividend payment. This result supports the argument that increased participation of female directors leads to enhanced protection of shareholders' interests and subsequently, results in higher dividends. A notable positive correlation may arise from the complementary roles of board gender diversity and dividend payout in Saudi firms. The findings also revealed that family involvement (FM) was significantly and negatively associated with dividend payout (DP). **Table-3** reports the results of the expropriation argument that suggests family control prefers lower dividend payouts so as to retain cash flows, that they can potentially expropriate. The coefficient of family involvement was highly negatively correlated with dividend payout, indicating entrenchment effects. This result is consistent with those of **Faccio et al. (2001)**, **Hu et al. (2008)**, **Sener and Akben Selcuk (2019)**, **Vandemaele and Vancauteren (2015)** and **Kaur and Kaur (2025)**.

Family involvement moderates board gender diversity-dividend payout relationship and the coefficient registers a positive marginally significant effect, indicating that family involvement might influence the relationship between board gender diversity and dividend payout. Board gender diversity improved governance and helped higher dividend payout, thus bringing the interests of minority shareholders into alignment with those of controlling families. Therefore, H2 was marginally supported. By combining agency theory with the socioemotional wealth viewpoint, this discovery gives a new insight into SEW perspectives. From the point of view of agency theory, family ownership can make conflicts between controlling family shareholders and minority shareholders more difficult. This is because controlling families may be motivated to keep earnings for their own use or long-term strategic control, which might adversely affect the interests of minority shareholders. However, having a governance mechanism such as gender diversity on boards, seems to minimise these risks through rendering the board's monitoring more efficient, which lowers expropriation and contributes to dividend payments. From the SEW perspective, family firms place high value on preserving non-financial benefits such as family reputation, legitimacy and stakeholder trust. By appointing female directors, family firms demonstrate commitment to sound governance and inclusivity, which strengthens their socioemotional wealth. The positive interaction effect suggests that family owners may strategically leverage gender-diverse boards to align financial policies with socioemotional goals, ensuring that higher dividends serve as a signal of fairness and protect the family's reputational capital. Further, this positive association indicates that family control firms may tend to build up a favourable reputation of treating minority shareholders by paying them dividend payout. The results demonstrated that family controlling interests align with minority shareholders **(Su, Xu, & Phan, 2008)**. The coefficient of family involvement moderate was marginally and significantly associated with dividend policy, suggesting that both are complementary monitoring mechanism in Saudi context. This result is consistent with the alignment effect. These results are in the line with those obtained by **Hu et al. (2008)**, **Michiels and Molly (2017)** and **González et al. (2014)**. By extending of the SEW perspectives, controlling family might tend to exhibit a good reputation through paying higher dividend policy. This is in line with the socioemotional wealth theory, which suggests that family firms have more incentives to maintain their reputation and make dividend payment. This study could provide new insight into socioemotional wealth theory, by integrating agency and SEW perspectives in Saudi context. In other words, firms, with sound governance and family control, could provide a complementary mechanism for management in term of family controlling power. Lastly, there are control factors that have been shown to impact dividend policy in previous research and these variables may play a substantial role in shaping dividend policy in the Saudi Arabian setting. In particular, the analysis makes use of firm age, profitability and firm size. Firms in Saudi Arabia, that are both old and successful, are in a better position to pay out larger dividends. According to **Table 3**, firm size, age, and profitability reported positive and significant association with dividend payout.

9. Findings of the Study

The finding of this research confirmed the positive effect of board gender diversity (BGD) on dividend payout. This result supports the claim that increased number of female directors would ensure protection of shareholders' interests, through paying high dividends. However, the findings also revealed that family involvement (FM) was significantly and negatively associated with dividend payout. In other words, the coefficient of family involvement moderating, appears to report positive and marginally significant effect on dividend payout, indicating that family involvement might influence the relationship between board gender diversity and dividend payout. To address the endogeneity issue between Governance-dividend payout relationship, the Generalized Method of Moment (GMM) was performed to account for endogeneity concerns and omitted variable bias in dynamic panel data models. In particular, the study computed the GMM model and the results were found to be statistically significant in the model. The findings from the GMM approach, synchronised with those obtained from our primary estimations. Overall, this evidence confirmed the robustness of our main results.

10. Suggestions

The statistical analysis results demonstrate that board gender diversity (BGD) significantly influences a company's dividend payout, suggesting that firms, with female board members, tend to improve monitoring functions, mitigate free cash flow issues and ensure superior governance practices to investors. A significant positive relationship might result from the complementary roles of board gender diversity and dividend payout in Saudi corporations. Further, family involvement moderates the relationship between board gender diversity and dividend payout. The results demonstrate positive and marginally significant coefficient, suggesting that family involvement may affect the correlation between board gender diversity and dividend payout. Board gender diversity may moderate the influence of family involvement on dividend payouts, resulting in enhanced oversight and governance, which subsequently increases dividend payouts and connects the interests of minority shareholders with those of controlling families.

11. Conclusion

The study examined the impact of board gender diversity on dividend payout and the moderating effect of family involvement in Saudi firms. The study used sampled data of 90 companies from 2016 to 2023 and analysed these data, using the OLS regression approach, while GMM regression was used as an additional analysis for robust checking. The direct relationship between board gender diversity and dividend payout, exerted significant positive impact on dividend payout of the firms. This finding highlights the significance of board gender diversity as a crucial corporate governance mechanism, that may integrate family firms' objectives for preserving socioemotional wealth, with the need of protecting minority shareholder interests. The results also showed that firms, with family-controlled businesses, have a tendency to pay less dividends to preserve cash flows for the possibility of expropriation. The coefficient of family involvement reported significant inverse relationship with dividend payout, which revealed the impact of entrenchment. On the other hand, the moderation analysis revealed that family involvement significantly moderated the impact of board gender diversity on the dividend payout of the firms. The study's findings may have implications for policymakers. The study suggests that board gender diversity may play a significant role in minimising agency conflicts in the Saudi context. The result also revealed that Saudi firms should definitely prioritise hiring female directors on their boards, to enhance governance regulations. This is necessary to align dividend payout decisions with the socioemotional priorities and expectations of shareholders in family firms. The moderation analysis highlighted that in combination with stringent family-controlled monitoring, board gender diversity may be more effective in reducing managerial entrenchment. The evidence demonstrated the importance of family involvement in encouraging effective corporate governance practices. In other words, the extension of the SEW theory may be relevant in contexts with concentrated ownership like Saudi firms. The policy implication of the moderating results indicated that Saudi firms would get benefits from board gender diversity as family involvement increased. Consequently, governance mechanisms like board gender diversity and family involvement, could be effective jointly to enhance transparency and protect the interests of both controlling and minority shareholders and design targeted governance frameworks, that support sustainable growth while respecting family firms' unique socioemotional goals.

12. Limitations of the Study

This study was limited by focusing only on the moderating role of family involvement on the board diversity and dividend payout relationship in non-financial companies, limiting the generalisability of our results to other sectors or contexts with differences in family ownership. The study period was eight years, from 2016 to 2023. A longer period before and after corporate governance regulations, would have enabled the study to understand the effects of family ownership on the board diversity-dividend payout relation.

13. Scope for Further Study

In future research, studies can be extended to include financial intuitions in Saudi Arabia to ascertain whether similar results can be obtained. Future studies could findout how institutional, managerial and government ownership, as a moderating variable, would influence the board diversity–dividend policy nexus. Also, other potentially significant determinants, like corporate social responsibility and business-specific characteristics, were not thoroughly examined. The exclusion of these factors may influence the board diversity-dividend payout relationship.

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Table-1: Sample Distribution Across Industries

Name of Industry	No. of firms	Sample (%)
Capital goods	8	8.93
Consumer durables	8	8.93
Consumer services	7	7.81
Food and beverages	10	11.16
Food retailing	4	4.46
Health Care	3	3.35
Materials	33	36.54
Media	3	3.35
Real estate	4	4.46
Retailing	2	2.09
Telecommunications	4	4.46
Transport	4	4.46
Total	**90**	**100.00**

Source: Authors' own work

Table-2: Descriptive Statistics

Variable	Mean	Std.	Min	Max	Skewness	Kurtosis
DP	0.40	0.32	0.00	0.96	0.02	1.57
BGD	0.09	0.12	0.00	0.44	1.21	3.36
FM	0.15	0.15	0.00	0.70	1.10	4.04
FM*BGD	0.02	0.03	0.00	0.23	3.13	15.12
BIN	0.47	0.13	0.20	0.88	0.68	2.63
FAGE	35.93	13.82	10.00	72.00	0.36	2.64
FS	17.06	1.71	13.04	22.73	0.70	3.53
GROWTH	2.27	1.19	0.50	6.10	1.24	3.97
ROA	0.12	0.09	-0.16	0.64	1.05	6.11

Source: Secondary Data and Computed by using Stata 18

Table-3: Regression Results with Moderation Effect Analysis

Variables	Dependence variable: DP	
	Model 1	Model 2
BGD	0.358***	0.262**
	(0.078)	(0.108)
FM		-0.319***
		(0.082)
FM*BGD		0.802*
		(0.458)
BIND	-0.071	-0.099
	(0.079)	(0.079)
FAGE	0.004***	0.005***
	(0.008)	(0.001)
FS	0.028***	0.22***
	(0.001)	(0.008)
GROWTH	-0.010	-0.010
	(0.011)	(0.011)
ROA	1.45***	1.45***
	(0.187)	(0.190)
Intercept	-0.417***	-0.288
	(0.173)	(0.175)
INDUSTRY	Yes	Yes
YEAR	Yes	Yes
No of observations	717	717
Adjusted-R^2	0.263	0.275
F-statistic	41.94***	34.07***
P-value	0.0000	0.0000

Source: Secondary Data and Computed by using Stata 18

Note: ***, **, * represents statistical significance at 0.01, 0.05 and 0.10 levels (two-tailed), respectively. The model included industry effect based on the Saudi industry classification and year dummy variables to control for year effect. All variables are as previously defined.

Table-4 Dynamic GMM Estimation Results of the Board Gender Diversity and Dividend Payout

Variables	Dependence variable: DP	
	Model 1	Model 2
l.DP	0.992***	0.970***
	(0.002)	(0.003)
BGD	0.094***	0.025***
	(0.008)	(0.018)
FM		-0.186***
		(0.107)
FM*BGD		0.499*
		(0.081)
BIND	0.090***	0.20***
	(0.004)	(0.006)
FAGE	0.010***	0.009***
	(0.001)	(0.001)
FS	0.004***	0.001***
	(0.001)	(0.002)
GROWTH	0.003***	0.001
	(0.001)	(0.003)
ROA	0.883***	0.115***
	(0.129)	(0.007)
Intercept	-0.098***	-0.004
	(0.008)	(0.009)
INDUSTRY	Yes	Yes
YEAR	Yes	Yes
No of observations	627	627
Hansen test of over-identification	56.45	44.05
Hansen test (P-value)	0.279	0.674
Arellano-Bond test for AR(1)	-1.91**	-2.06**
Arellano-Bond test for AR(2)	-0.10	-0.69

Source: Secondary Data and Computed by using Stata 18

Note: ***, **, * represents statistical significance at 0.01, 0.05 and 0.10 levels (standard error), respectively. All variables are as previously defined. Hansen test of over-identification is under the null hypothesis that all instruments are valid. AR (1) and AR (2) are tests for first-order and second-order serial correlation in the first-differenced residuals, under the null hypothesis of no serial correlation.