IRBAS www.irbas.academyirmbr.com April 2023
International Review of Basic and Applied Sciences Vol. 11 Issue.2

Studying Insider Ownership and Institutional Ownership Nexus with Islamic Mutual Funds Dividend Policy in Pakistan: Revisiting and Presenting New Insights

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Abstract

This research aims to comprehensively analyze the interplay between insider ownership, institutional ownership (INSO), and dividend policy within Pakistani Islamic mutual funds. It specifically explores how ownership structures influence dividend payout strategies within the framework of Islamic finance. The study employs panel data analysis to investigate the effect of insider and institutional ownership on dividend payouts, utilizing a sample of 98 Islamic mutual funds in Pakistan. The research shows insignificant effect of "institutional ownership" on the dividend distribution policy of Pakistani Islamic investment funds. In contrast, insider ownership exerts a significant and positive influence. This shows that when insider ownership increases by 1%, dividend payments increase by 0.0117%. Stakeholders in Pakistan's Islamic finance sector should carefully consider these findings. This study be a factor to the existing literature by exploring the connection between insider, institutional ownership and dividend policy specifically in the context of Pakistani Islamic investment funds. It sheds light on how ownership affects mutual fund payout policies. The results have practical implications for investors, particularly when considering funds with a higher proportion of insider ownership. Regulators can use these insights to strengthen dividend policies in mutual funds and improve corporate governance mechanisms. In addition, this research expands current knowledge on corporate governance, insider, institutional ownership and dividend policy, with a focus on Islamic finance and the Pakistani market.

Keywords: *Ownership Structure, Dividend Payout Policy, Corporate Governance, Islamic Mutual Funds.*

Introduction

Corporate governance's impact on business success, dividend payout practices, and sustainability has enticed a lot of deliberation from academics, regulators, and practitioners in the near past. The literature shows strong enthusiasm for the significance of ownership structure in influencing corporate governance (CG) practices. In particular, the connection between insider ownership and corporate ownership has been extensively discussed and studied. The sake of this research is to re-examine this connection by examining its impact on the dividend payment strategy of Pakistani Islamic investment funds, a context that is different due to the spread of Islamic finance principles.

Understanding how insider ownership and institutional ownership affect a company's dividend policy has recently attracted more attention (Balachandran et al., 2019; Florackis et al., 2015). Insider proprietary rights refers to the portion of stock held by individuals within the organization, such as top executives, their family members, and directors. Several studies have found a positive association among insider ownership and dividend payouts (Balachandran et al., 2019). Conversely, institutional proprietary rights refer to the percentage of shares held by institutional investors such as hedge, pension, and mutual funds (Firth et al., 2016; Jacob and P.J., 2018; Kilincarslan and Ozdemir, 2018; Moin et al., 2020). Both forms of ownership have been found to influence corporate dividend policies and governance practices, although the relationship is complex and context-specific (Daadaa and Jouini, 2018; Warrad et al., 2012).

For Pakistani Islamic Mutual Funds, numerous factors can influence the relationship between insider ownership, institutional ownership and dividend payments. First, the importance attached to moral and Sharia-compliant financial practices in Islamic finance can impact the motivations for insider and institutional ownership. Second, the unique characteristics of the Pakistani market, such as the dominance of family businesses and the existence of a concentrated ownership structure, could further complicate this relationship.

This research aims to accomplish two objectives: (1) provide novel insights into the practices of dividend distribution among Pakistani Islamic mutual funds, and (2) contribute to the existing knowledge on insider ownership, institutional ownership, corporate behavior, and dividend distribution policies, specifically within the context of Islamic finance principles and the Pakistani market. Enhancing our comprehension of the interplay among these variables will deepen our understanding of corporate governance in the Islamic finance industry. The outcomes of this investigation can have important implications for investors, policymakers, industry professionals involved in Islamic finance, and future studies in this field.

By investigating the connection between insider ownership, institutional ownership, and strategies of dividend distribution within the framework of Pakistani Islamic mutual funds, this study endeavors to shed light on the complexities of corporate governance practices and make a valuable contribution to the broader literature on Islamic finance.

Literature Review

The literature review encompasses a wide range of studies examining the relationship among ownership arrangements, corporate governance (CG), and their influence on dividend payouts across different regions. Various dimensions of corporate decision-making with a specific emphasis on dividend payouts are also covered.

Firth et al. (2016) found that mutual funds in China encourage higher cash dividends, particularly in firms with state and regional government control and significant free cash flows. Jacob and P.J. (2018) showed that institutional shareholders have larger stakes in dividend-paying corporations, especially in large enterprises, while they prefer non-paying businesses for smaller firms.

Kilincarslan and Ozdemir (2018) studied non-financial sector enterprises in the UK and found that institutional venture perspectives have a negative relationship with dividend payments, indicating that longer-term investors prefer higher payouts to reduce agency costs and meet liquidity requirements. Moin et al. (2020) demonstrated that excessive cash holdings harm dividend payout policies in Indonesia, and ownership by major shareholders is associated with lower dividends, suggesting wealth expropriation by firms. Daadaa and Jouini (2018) found that ownership arrangements, including institutional, top owners, management, and family, were linked to lower dividend payouts in French businesses listed on the SBF120 index.

Warrad et al. (2012) identified a positive link between dividend policy and global ownership in Jordanian industrial public shareholding companies. Florackis et al. (2015) found a complex and nonlinear relationship between dividend strategy, insider ownership, and debt financing, which varied across companies with different debt levels and budgetary constraints. Balachandran et al. (2019) found a positive association between insider ownership and dividend decisions, and a lower chance of dividend payments with more foreign institutional ownership. Schultz (2023) argued that investors value consistent or higher dividend payments to smooth consumption. Lin et al. (2023) reported that major shareholders reduce expropriation and increase payouts in response to opposition from minority shareholders regarding dividend proposals.

Azeem (2023) suggested that external financing constraints affect dividend policy differently in weakly governed firms compared to firms with lower external financing constraints. Yang and Ma (2022) revealed that corporate site visits by institutional investors increase dividends in businesses with significant agency conflict or inadequate governance. Shaar (2022) discovered that board size influences gender diversity and dividend distribution in Jordanian service businesses, with return on assets (ROA) limiting the impact of board size but not gender diversity.

Seth and Mahenthiran (2022) analyzed Indian-listed companies and found that the board of directors used voluntary corporate social responsibility (CSR) disclosures and dividend payout policy as strategic decisions to balance stakeholders' interests. Reda and Khadija (2022) investigated the effect of corporate governance (CG) characteristics on dividend program in Morocco, revealing significant results for board size and firm size and negative correlations between dividend payments and female directors and foreign ownership.

Pinto et al. (2022) investigated the impact of various ownership arrangements on dividend allocation techniques in India, finding no substantial effects of promoter shareholdings, institutional investor shareholdings, or retail investor shareholdings on dividend distribution policies. Maqbool et al. (2022) found that mutual funds in Pakistan with stronger corporate social responsibility pay higher dividends, and corporate governance quality has a favorable influence on mutual fund dividend distributions. Lahiri (2022) investigated the impact of single major shareholders on dividend allocation strategies in Indian business group companies, discovering a U-shaped association between single large investors and dividend payout techniques.

Kałdoński & Jewartowski (2022) explored the stimulus of institutional investors on dividend distribution in Poland and found a positive association between long-term institutional investors and payout levels. John et al. (2022) found that firms tend to pay tax-motivated dividends before a tax increase, reducing investments in investigation and development (R&D) and shareholder value. Goodell et al. (2022) suggested that higher levels of social trust negatively affect dividend payments made by local businesses in all Chinese provinces, which reduces agency costs. Colombo and Terra (2022) found that institutional investors increase cash payouts through interest on equity (IOE) rather than cash dividends in Brazil, thereby reducing the overall tax burden. Cao et al. (2022) discovered institutional site visits boost company cash dividends by punishing management through departure threats. Bräuer et al. (2022) investigated why investors select dividend-paying stocks and how they adjust their consumption accordingly.

Naveed (2021) and Murtaza and Abbas (2021) examined the influence of institutional ownership on dividend payout policies in Pakistan, Malaysia, and South Africa. Kim (2021) found that dividend yields positively impact future stock returns in Korean markets, particularly for firms with an established dividend reputation. Farooq et al. (2021) observed that companies with higher dividend payouts in the MENA region face significantly less downside risk to their share prices. Agrawal (2021) analyzed the effect of dividend distribution tax elimination on corporate dividend conduct in India.

Salju et al. (2022) discovered that capital structure has a favorable but not statistically significant impact on ownership structure, investment opportunities, dividend policy, and firm value in Indonesian Sharia equities. Qi et al. (2022) demonstrated that continuous cash dividends increase a company's value, with state-owned enterprises experiencing greater value enhancement with concentrated ownership structures when distributing continuous cash dividends. Purbawangsa and Rahyuda (2022) found that ownership structure influences board composition and dividend policy, while financial prosperity does not significantly impact stock returns.

Missaoui et al. (2022) found a positive impact of ownership structure on dividend payouts in Tunisian companies, while Mishra et al. (2022) established that board activity, board size, and promoter ownership positively influence firm performance in Indian non-financial firms. Lee (2022) discovered that a concentration of ownership at the top level by majority shareholders leads to increased dividends and decreased tax-advantaged stock repurchases, negatively affecting long- and short-term firm performance.

Widiatmoko et al. (2021) investigated the link between share ownership structures, dividend payment patterns, and business value, finding that institutional and concentrated ownership positively affected dividend payout practices, while managerial/insider ownership had no impact. Tayachi et al. (2021) studied how ownership arrangements influence dividend practices and financing decisions, revealing that shareholder concentration improves debt financing but has a detrimental influence on dividend distribution methods, whereas institutional ownership promotes dividend distribution strategies and financing decisions.

Research Framework

To understand the connection between a company's ownership structure and its dividend distribution strategy, consider the following: agency theory is a well-known theoretical framework. According to agency theory, conflicts of interest between shareholders and managers can arise when ownership and control are shared within the organization. This suggests that management could put its interests first, possibly at the expense of shareholders' interests.

Ownership structure is critical to reducing these conflicts of interest. In particular, the degree of concentration of ownership affects how much control and influence large shareholders have over management decisions. In addition, the presence of other major shareholders can serve as a form of check and balance and ensure that no single shareholder or group of shareholders dominates decision-making.

Agency Theory

Agency theory is a well-known theoretical framework that objectives to explain the relationship between internal management and external shareholders. Conflicts of interest between executives and shareholders can arise within organizations, leading to the agency problem. However, insider ownership plays a crucial role in reducing such conflicts, since the interests of executives align with those of outside shareholders (Arora and Sharma, 2016; Jensen and Meckling, 1976). As a result, manager/insider involvement can mitigate risk and improve overall performance. Similarly, the presence of institutional investors can actively monitor the activities of the firm, leading to reduced agency conflicts and improved performance while also reducing risks (Lin and Fu, 2017).

Conceptual Model

Impact of ownership structure on the Islamic Mutual fund’s dividend payout ratio;

Figure 1: Conceptual Model

Research Methadology

Study variables

Dependent variables

The main dependent variable of this study is the dividend distribution process for mutual funds, measured as the dividend distribution percentage. The dividend distribution percentage represents the proportion of profits distributed to mutual fund investors as dividends. The dividend payout ratio, estimated by dividing the total dividends paid by the mutual fund by its net income, is a commonly used indicator of mutual fund dividend policy (Elmagrhi et al., 2017).

Independent and Control Variables

In this study, the most important explanatory variables are ownership structure variables, specifically institutional and insider ownership, which reflect the level of fund shares held by institutional and insider's shareholders, respectively. Control variables comprised fund size (estimated as the natural logarithm of the fund's total net assets), fund age (measured in years then log taken), expense ratio (total expenses divided by total net assets), and manager's education (a dummy variable indicating whether managers have professional certification), and experience of manager estimated as working years of fund manager in the mutual fund industry (Naveed et al., 2020; Ngo et al., 2020). Please refer to the table below for variable dimensions.

Table No 1

Variables	Measurement	Source
Dependent variables		
Mutual Fund Dividend payout policy	Dividend payout ratio (total dividend / total net income) or frequency of dividend payments	Elmagrhi et al. (2017)
Independent Variables		
Director/insider Ownership	"Percentage of fund units held by directors and executives"	Kamardin (2014)
Institutional Ownership	"Percentage of fund units held by various institutions such as banks, insurance companies etc."	Lin and Fu (2017)

Control Variables		
Fund Size	"Natural log of the total net assets of the fund"	Ferreira et al. (2013)
Fund Age	Fund age measured in years	Makni et al. (2016)
Expense Ratio	Total expenses/Total net assets	Makni et al. (2016)
Fund Flow	$Fund\ Flow = \frac{TNA_{it} - TNA_{it-1} * (1 + R_{it})}{TNA_{it-1}}$	Casavecchia (2016)
Manager's Education	"Dummy variable equal to 1 if managers got professional certification (CFA, FCA, ACCA) and zero otherwise"	Naidenova et al. (2015)
Manager's Experience	"The number of years a fund manager has served in the mutual fund industry"	Naidenova et al. (2015)

Sample and Data Collection

In Pakistan, there are approximately 337 different fund schemes, including both conventional and Sharia-based funds. For analysis, a sample of Islamic mutual funds has been selected, consisting of approximately 98 different funds based on data availability. Data for the study has been collected from annual reports and the Mutual Funds Association of Pakistan (MUFAP) website.

Research Models

The following panel data model will be used:

$$\text{Dividend it} = \alpha_0 + \beta_1 DIROWN + \beta_2 INSTOW_{it} + \beta_3 FSIZE_{it} + \beta_4 FAGE_{it} + \beta_5 Expratio_{it} + \beta_6 Flow_{it} + \beta_7 EDU_{it} + B_8 EXPRIE_{it} + e_{it} \quad (1)$$

Econometric Methods

The econometric process will involve conducting preliminary diagnostic tests, unit root tests, cointegration tests, and regression estimation tests.

Diagnostic Tests

Autocorrelation test

Autocorrelation can lead to skewed results and inefficient standard errors in a linear regression model. To test the autocorrelation, a test proposed by (Wooldridge, 2010) is used. This test uses the residuals of a linear regression model in the first differences to eradicate the effects at the individual level.

Heteroscadescity test

Linear regression models assume that the error term has a constant variance. If this assumption is violated, it can lead to heteroskedasticity, an econometric problem that can result in biased Ordinary Least Squares (OLS) estimations and invalid theory testing (Alabi et al., 2020). A modified Wald test, using the residuals from a fixed-effect regression, can be used to test for group-wise heteroskedasticity, as proposed by Baum (2001). This test statistic can still be used even if the normality assumption is violated, but it should be adopted only with fixed effects in "small T, large N" situations.

Multicollinearity

Multicollinearity describes the relationship between independent variables in a regression model. The presence of multicollinearity can affect the interpretation of coefficient estimates. The variance inflation factor (VIF) is utilized to identify multicollinearity in the regression output as described by Thompson et al. (2017). A maximum VIF number is below 10, 8 or 5 (Kalnins, 2018).

Unit Root Test

To ensure accurate regression analysis, we need to determine whether the variables in our study are stationary or non-stationary. Stationary variables have fixed mean, variance, and covariance over time. Unsteady variables can lead to problems such as meaningless forecasts and incorrect results. We will use the cross-sectional augmented IPS (CIPS) test, a second-generation unit root test recommended by Pesaran (2007). This test considers cross-sectional dependence in panel data, helping us identify non-stationary variables and take appropriate measures like differencing or using suitable time series models.

Co-integration Test

Establishing long-term relationships between variables is crucial for reliable regression analysis. Co-integration indicates a stable, long-run association between variables. We will conduct the Kao Residual Cointegration Test, widely used for panel data analysis, to check for co-integration. If co-integration exists, it suggests a predictable relationship between the variables, enhancing the reliability of our regression analysis. If co-integration is not found, we will consider alternative approaches.

Conducting the unit root test and co-integration test ensures accurate variable specification and captures meaningful relationships among the variables. This enhances the validity and reliability of our analysis, allowing us to draw meaningful conclusions based on the data.

Regression Estimation

A statistical technique used to look at the relationship between variables is regression analysis. Regression analysis will be used in our investigation to study the relationships between ownership structure characteristics and the dividend payment policy of Pakistani Islamic mutual funds.

When the assumptions of Ordinary Least Squares (OLS) regression are broken, an econometric method called the Generalised Method of Moments (GMM) is used to estimate regression models. In the analysis of panel data, which includes numerous observations made over time or by different people, GMM estimators are frequently used.

Regarding issues like measurement inaccuracy, endogeneity, and omitted variable bias, GMM has a number of benefits. In particular, for models using dynamic panel data, it provides an effective way for achieving precise estimates in regression analysis.

Using GMM estimates, we can successfully deal with potential biases and endogeneity issues, obtaining precise and reliable results for our analysis. This enables us to make crucial inferences about the relationships among the ownership structure and dividend payouts practices of Pakistani Islamic mutual funds.

Results and Discussion

Descriptive Statistics

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
DIVP	546	0.4520827	0.397517	0	1
DIRO	546	1.135011	3.753975	0	52.48
INSO	546	17.32549	16.89705	0	93.32
Fflow	546	0.474366	3.958084	-1.09	81.011
FMexp	546	11.27835	5.269656	0	29
FMEdu	546	0.723443.	4477055	0	1
ER	546	1.555024	1.549558	0	8.92
L_Age	546	1.358088	0.831930	0	3.258
F_Size	546	8.882564	0.682535	5.35	10.74

The descriptive results table summarizes the variables' distribution in the regression model.

Autocorrelation Test

We used the Wooldridge test to determine whether a first-order relationship existed in the panel data. The null hypothesis (H0) tested whether there were any first-order correlations in the model, which would imply that the error terms were not connected across different periods.

A test statistic (F = 15.935) and corresponding p-value (p = 0.0001) were produced by the test. These findings provide compelling proof of first-order autocorrelation. The p-value is less than the significance cutoff of 0.05. Hence the null hypothesis can be disproved. It implies that there might be a discernible pattern in the error terms across time that the current model fails to capture. Consequently, further investigation is warranted to understand and address this time series pattern in the error terms.

Heteroscedasticity Test

The Breusch-Pagan/Cook-Weisberg test for heteroscedasticity was conducted using a model with the fitted values of the variable DIVP. The null hypothesis (Ho) being tested was that the error terms have uniform variance, meaning the variance of the error terms is the same for all values of DIVP.

The test statistic (chi2 = 0.02) and the associated p-value (p = 0.8834) suggest that the model does not exhibit heteroscedasticity. The p-value greater than the significance threshold of 0.05 indicates that the null hypothesis cannot be rejected. Therefore, the model is considered suitable for further analysis, and we can infer that the error terms have constant variance.

Multicollinearity

Multicollinearity, a high correlation among independent variables, can result in unstable or unreliable coefficient estimates in a regression model. The Variance Inflation Factor (VIF) was derived to measure multicollinearity.

Table 3: Variance Inflation Factors

Variable	VIF	1/VIF
F_Size	1.23	0.813816
L_Age	1.22	0.822930
ER	1.07	0.933160
Fflow	1.06	0.947695
INSO	1.04	0.963945
FMEdu	1.03	0.967167
DIRO	1.03	0.968722
FMexp	1.02	0.977141

Table 3 presents the VIF values for each variable. All the VIF values are well below 5, indicating that the model has very little to no multicollinearity. That is a positive finding because multicollinearity can lead to unstable coefficient estimates. The low VIF values suggest that the independent variables are not significantly multicollinear, supporting the regression model's coefficient estimates.

Unit Root Test

Table 3 presents the results of the unit root tests conducted to determine the stationarity of the variables. Two common test statistics were used, the Levin, Lin & Chu T-stat and the Im, Pesaran, and Shin W-stat.

Table 4: Unit Root Test

Series	**"Levin, Lin & Chu T-stat"**				**"Im, Pesaran and Shin W-stat"**				**Result**
	Level		1st Diff		Level		1st Diff		
	T. Stat	P Value	T. Stat	P Value	T. Stat	P Value	T. Stat	P Value	
DIVP	-16.8539	0.0000			-6.1428	0.0000			**I(0)**
INSO	-22.18	0.0000			-9.17	0.0000			**I(0)**
DIRO	-24.14	0.0000			-9.14	0.0000			**I(0)**
Fund_Size			-19.27	0.0000			-9.75	0.0000	**I(1)**
FMEXP	-18.2	0.0000			-8.96	0.0000			**I(0)**
FMEDU	-2.84	.002	-6.28	0.0000	-0.03	0.49	-3.56	0.0002	**I(1)**
FFLOW	-8.53	0.000			-7.11	0.000			**I(0)**
ER	-39.58	0.000			-15.88	0.000			**I(0)**
L_Age	-11.00	0.0000			-82.11	0.0000			**I(0)**

The findings indicate that the variables DIVP, INSO, DIRO, FMEXP, E.R., and FFLOW are stationary at the level and the first difference, as their respective test statistics show significance. It suggests that these variables do not possess a unit root, which is desirable for time series analysis. However, the variable Fund_Size and FMEDU are stationary only at the first difference but not at the level. This indicates that these variables become stationary when considering their first differences, which is also appropriate for time series analysis. Furthermore, the variable Fund_Size might still be stationary at the level, as the p-value for the Im, Pesaran, and Shin W-stat at the level is not significant. Except for Fund_Size and FMEDU at the level, the unit root tests demonstrate that the majority of the variables in the dataset are stationary. These variables can be used for further modeling, forecasting, and time series analysis.

Co-integration Test

The co-integration of the nine factors—DIVP, DIRO, INSO, FUND_SIZE, FMEXP, FMEDU, FFLOW, E.R., and L_AGE—was examined using the Kao Residual Co-integration Test. The test findings demonstrate that co-integration is absent because the ADF t-statistic was -11.05384 with a p-value of 0.0000. The HAC and residual variances used to validate the test result were 0.178628 and 0.137170, respectively. In addition, an extended Dickey-Fuller test was performed to check the residuals for stationarity. The coefficient of the lagged residuals (RESID(-1)) was -1.119336, with a standard error of 0.048458, a t-statistic of -23.09903, and a p-value of 0.0000, indicating that the residuals are stationary.

Regression Results

The regression model utilized in this investigation is the Panel Generalized Method of Moments (GMM) with the dependent variable DIVP. Table 5 presents the regression results.

Table 5: Regression Results

		Robust				
DIVP	**Coef.**	**Std. Err.**	**z**	**P>|z|**	**[95% Conf.**	**Interval]**
DIRO	.0116687	.0033792	3.45	0.001	.0050456	.0182919
INSO	-.0014722	.0011354	-1.30	0.195	-.0036975	.0007532
Fflow	.0059942	.0041802	1.43	0.152	-.0021989	.0141872
FMexp	-.0023769	.0030578	-0.78	0.437	-.00837	.0036162
FMEdu	-.0940458	.0374185	-2.51	0.012	-.1673847	-.0207068
ER	.0264952	.0112894	2.35	0.019	.0043684	.048622
L_Age	-.0149569	.0216435	-0.69	0.490	-.0573774	.0274636
F_Size	.0909435	.0249849	3.64	0.000	.041974	.139913
cons	-.2723546	.2144881	-1.27	0.204	-.6927436	.1480345

Dependent variable DIVP (Dividend Payouts ratio) and seven independent variables: DIRO (insider ownership), INSO (institutional ownership), FUND_SIZE, FMEXP (Fund Manager Experience), FMEDU (Fund Manager Education), FFLOW (Funds flow), E.R. (Expense Ratio), and L_AGE (Log of age mutual Fund).

Based on the analysis, the coefficient for DIRO (insider ownership) is positive and statistically substantial at the 1 percent level. This finding supports the hypothesis that insider ownership has a positive effect on dividend payouts and in agreement with previous studies by Maqbool et al. (2022) and Missaoui et al. (2022). However, it contradicts the findings of Al-Najjar and Kilincarslan (2016) and Kim et al. (2020) who reported a negative or U-shaped link between insider ownership and dividend payments.

On the other hand, an insignificant negative association between institutional ownership and dividend distributions was observed, suggesting that institutional ownership has little effect on Islamic investment fund income distribution when other factors are taken into account. These results do not support the hypothesis of a positive effect of institutional ownership on dividend payouts. Previous studies have provided mixed insights into the relationship between dividend payments and institutional oversight.

Among the control variables, FMEXP (fund manager's experience) and FMEDU (fund manager's education) have negative coefficients. FMEDU is statistically significant at the 5% level, suggesting that more experienced and educated mutual fund managers may be associated with lower dividend payouts. These results differ from those of Reda and Khadija (2022). In addition, we particularly note that fund size

has a positive and statistically significant impact at the 1% level. This is consistent with past studies that have found a positive link between fund size and dividend distributions, meaning larger funds benefit from dividend distributions. No statistical significance was found for the remaining control variables (Fflow, ER, and L_Age), suggesting that these variables have no discernible impact on the dependent variable.

These results add to the existing knowledge on the subject and shed light on the variables affecting dividend payouts in Islamic mutual funds. However, it is important to acknowledge the limitations of the study, for example those related to the dataset and methodology used. Further research is needed to validate these results and examine additional variables that may affect dividend payouts in Islamic mutual funds.

Conclusion

The study examined the relationship between institutional and insider ownership and the dividend payout method of Pakistani Islamic mutual funds. According to the data, institutional ownership does not demonstrate a similar effect to insider ownership when other factors are considered. These findings offer fresh perspectives on how insider and institutional ownership and dividend payouts relate to one another in complicated and context-specific ways, particularly when seen through the lens of Islamic financing and the Pakistani market.

Investors, regulators, experts in the Islamic banking industry, and politicians are just a few stakeholders for whom this study has consequences. The results imply that it would be advantageous for investors to use insider ownership as a factor in investing choices. Organizations may think about promoting significant insider ownership, which can enhance corporate governance procedures and boost shareholder value. A positive association between insider ownership and dividend distributions raises the possibility of agency problems and conflicts of interest.

By emphasizing transparency and disclosure strongly and ensuring that businesses are held accountable to their shareholders, regulators can advance sound corporate governance practices. The study's findings imply that when making investment decisions, institutional investors should consider the effect of insider ownership on dividend payouts.

When formulating dividend distribution policies, experts in the Islamic finance sector should consider Islamic finance's distinctive tenets and features. The study results suggest that insider ownership may significantly impact dividend payouts in Islamic mutual funds more than Shariah-compliant investment principles. This knowledge can help practitioners create sound dividend policies that align with Islamic financial tenets.

The limitations of this investigation must be acknowledged. The investigation was limited to Pakistani Islamic mutual funds; thus, its conclusions might not apply to other markets or categories of funds. The link among ownership structure and dividend payouts in Islamic finance should be better understood by a future study that closely examines various geographies and fund types.

Furthermore, while the study examined institutional and insider ownership as the main determinants of dividend payouts, future research could investigate other factors influencing dividend policies in Islamic finance, such as board characteristics, financial performance measures, and regulatory frameworks. Exploring the interplay of these factors can enhance our understanding of the dynamics of dividend policies in Islamic finance.

In conclusion, this investigation contributes to the existing body of knowledge on corporate governance, insider ownership, institutional ownership, and dividend policy, particularly within Islamic finance

principles and the Pakistani market. The findings have significant implications for ongoing research in this field and the development of sound corporate governance practices in the Islamic finance industry. Further research endeavors can build upon these findings to enrich our understanding of dividend policies in Islamic mutual funds and their impact on stakeholders.

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