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The Impact of CEOs' Power on Dividends Policy: Evidence from Egypt

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Abstract

The main objective of this study is to examine the relationship between CEO power and dividend policy among a sample composed of 71 Egyptian listed companies in the EGX100 during the period from 2017 to 2021. The CEO power is measured using an index focuses on three main dimensions of CEOs' power which are duality, tenure length, and share ownership to capture the multidimensions of CEO power. The study findings reveal that there is a significant positive relationship between CEO power and both the decision to distribute cash dividends and the dividends amount. The findings emphasize the importance of considering CEO power in dividend decisions, prompting the development of responsible governance structures and guidelines for transparent dividend policies. Additionally, this study provides an additional insight into the different dimensions of CEO power and dividends payouts. The study findings contribute to the limited literature on CEO power and dividend policy in emerging markets through providing valuable insights for future research and facilitating informed decision-making in the Egyptian business environment.

Keywords

CEO Power, Duality, Tenure, Ownership, Dividends Policy, Signaling theory.

Article history

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1. Introduction

Malmendier and Tate (2005) argue that Chief Executive Officers (CEOs) are privileged by being at the head of the company that entailing them to drive the corporate decisions and having an authority over the corporate performance. Therefore, CEOs have become one of the most powerful personnel within the firm whose decisions have a profound effect on corporate performance. Since individuals' beliefs, feelings, and responses are typically reflected in their personalities, the CEO's personality has an impact on how they absorb information, which in return, has an impact on how they interpret reality and make strategic decisions, which will be reflected on the company's performance (Ormiston *et al.*, 2021).

Consequently, the CEOs' managerial qualities such as years of experience, background, training, abilities and skills can have a positive impact on their decisions through enhancing their knowledge, judgment, and creativity especially the CEOs' power that they derive from their job titles due to CEOs' role duality, tenure years, and share ownership (Onali *et al.*, 2016; DeBoskey *et al.*, 2019).

Accordingly, CEO power is double edged, it can have both positive and negative impact on the firm performance and decision-making process. From the positive side, CEO power enables to faster the decision-making process, lead to stronger and more unified leadership, clearer vision and strategy, and higher motivation and commitment (Dewar *et al.*, 2019). In addition, powerful CEOs can communicate their vision and strategy more clearly and persuasively, and align with the organization goals (Tien *et al.*, 2014). Besides, they can act quickly and decisively without being constrained by conflicting opinions from the board or other stakeholders (Fisher and Chen, 2018). This can enhance the firm's agility, responsiveness, and innovation capabilities

On the other hand, the job titles of powerful CEO may be jeopardized arising from the incrementation of power within the CEOs' job role (David *et al.*, 2020). CEO power can also create executive compensation conflicts, agency problems, resistance to change, and reduce accountability and oversight (Kruse *et al.*, 2023). Moreover, the CEO powerfulness can encourage CEOs to pursue excessive risks, and even persuade the board to participate in risky investment projects (Altunbas *et al.*, 2019; Tadele and Kalyebara, 2020). For instance, The reason for increasing the CEOs' empowerment is due to CEOs' duality, as; it is associated with CEOs' entrenchment within the organization and weaker governance due to the undivided authority (Jensen and Meckling, 1976; Benjamin and Biswas, 2019). These characteristics increase the CEOs' sense of entitlement while pursuing their personal benefits at the expense of the investors' best interests. Therefore, CEOs need to balance their power with their responsibility and adapt their decision styles to the changing environment.

Accordingly, one of the important decisions within the CEO's area of responsibility is dividend dissemination. Where dividend payouts inform the capital market about the firm's profitability and the managers' performance, which can affect the firm's valuation and reputation (Bhattacharyya, 2007; Nguyen and Bui, 2019). It is argued that dividends enable the CEOs (i.e. agents) to act in the best interest of the

shareholders (i.e. principal), thus payouts act as a binding mechanism that limits the managers' power by reducing the amount of resources they control and increasing their accountability (Jensen, 1986).

Based on the above argument, the work environment provides a significant amount of power accessible by the CEO, which is valuable when used prudently. Principally, CEO power enables the CEO to make strategic decisions, motivate employees, and foster innovation and growth. However, sometimes this power might be abused and lead to unethical behaviour, poor performance, and low morale. As a result, instead of regulating their behaviour and decisions, the social environment within a company can enhance their sense of superiority and self-importance leading to a lack of accountability and control over their behaviour and decision-making (Cormier *et al.*, 2015)

There is no definite answer in the previous research on how these characteristics affect the CEOs' discretionary decisions, mainly the payout policy. So, this research will try to answer these three research questions. Therefore, this research will address this main research question. What is the effect of the CEOs' power index on the dividends policy? The primary research question can be divided into the following three sub hypotheses. *First*, Question (1a): what is the effect of CEOs' structural power (CEO duality) on their dividend policy? *Second*, Quaetion (1b): what is the effect of CEOs' expert power (CEO tenure years) on their dividend policy? *Third*, Question (1c): what is the effect of CEOs' ownership power (CEO share ownership) on their dividends policy?

The empirical findings of this research reveal that CEOs' power index had a significant positive effect on both their dividends distribution decisions and the amount of dividends distributed which is measured using the dividends payout ratio. However, the separate dimensions of CEO power are examined, has been found that CEO duality has a significant positive impact on each of dividends distribution decisions, dividends yield, and dividends payout ratio. On the other hand, CEO tenure years has a significant negative impact on dividends distribution decision. Additionally, both CEO tenure and CEO ownership have a significant negative impact on dividends yield while; there is no significant impact on the dividends payout ratio. Although these CEO power characteristics were not dominating the sample, In conclusion, the findings reveal that there is a significant influence on the dividend policy.

The remainder of this paper is organized as follows. Section 2 provides a comprehensive background about the CEOs' power and dividends policy. Section 3 introduces the previous literature and illustrates the developed research hypotheses. Section 4 introduces the research methodology. Section 5, the empirical results. Section 6, the research conclusion and research recommendations for future research.

2. Background

2.1. Dividends policy from a behavioral perspective

One of the important decisions affected by the CEO's characteristics is the dividends policy. The dividends payout policy is formulated in an attempt to return capital, either in the form of share repurchases or cash dividends distribution to the shareholders (Samet and Jarboui, 2017).

According to prior literature has tried to entangle the dividends policy puzzle through several theories. First, Miller and Modigliani (1961) raised a the controversial point of view, that dividends distribution is irrelevant to shareholders, as long as the stock market is perfect, investors are rational, managers work towards the shareholders' best interests, and there is certainty about the dividends policy.. Second, another group of theories support dividends distribution including signaling theory is perceived to be important among these theories. Singling theory assumes that dividends distribution signals good or bad news which is reflected in the fluctuation of the stock price representing the stock market participants' perceptions about the growth of the firm in the future (Hussainey *et al.*, 2011; Longinidis and Symeonidis, 2013). Additionally, the bird in hand theory assumes that the investors may lean more towards preferring expected dividends (a bird in hand) as they assume it is a certain, closer gain, and worth more than ambiguous capital gains (two in the bush) arising from possible reinvestments in the future (Al-Malkawi, 2007; Hooi *et al.*, 2015; Ahmad *et al.*, 2019). Besides, the agency theory, reveals that investors tend to prefer dividends in order to counteract the negative effects of agency costs. Agency theory argues that when the managers (agents) prefer to pursue their own goals at the expense of the shareholders' (principal) best interest, this conflict of interest will generate agency costs associated with direct or indirect losses (Jensen and Meckling, 1976). However, there is a third group of researchers who advocated that tax-clientele theory can explain why some investors do not prefer dividends distribution where investors preferred little or no dividends as; they were taxed more than capital gains (Ahmad *et al.*, 2018).

Several researchers examined the determinants of dividends policy which usually emerge from firm-specific characteristics. For instance, corporate social responsibility (Samet and Jarboui, 2017), corporate governance such as board gender diversity or ownership structure, firm debts, size, free cash flow, and profitability (Dewasiri *et al.*, 2019).

Nonetheless, it is important to recognize that stock market participants are not consistently objective and do not always adhere to rational paradigms for example, the CEO's rationality in determining the dividends payout policy should ideally play a vital role in their decision-making process. Since, decision-making is influenced by irrationality and emotions, it becomes essential to consider the CEO's personality in determining this significant decision. Surprisingly, only a limited number of researchers have examined the formulation of the payout strategy from a behavioral standpoint, highlighting the need to explore this area from a behavioral perspective.

In an imperfect capital market, investors will tend to be sensitive toward any information that the firm releases in order to evaluate its future performance, and only firms with high standards will employ dividends distribution wisely to signal prospering future (Hooi *et al.*, 2015). From the management perspective to best serve the shareholders, they need to be updated with the most recent and precise information. However, this makes them move a step ahead of the outside investors, which results in creating an information gap (Hussainey *et al.*, 2011).

Consequently, in order to decrease this gap, managers tend to employ dividend distribution as a signaling tool that sends private information regarding the firm's performance to the shareholders (Al-Malkawi, 2007). Since the capital market is dominated by asymmetrical information, managers have better access to precise information regarding the financial performance of the firm. Consequently, they direct their dividends policy to signal sustainable prosperity in order to alleviate the information gap (Anilov, 2017).

2.2. CEO Power

Power-driven CEOs are those who derive their strength from several characteristics embedded within their job title. Power-driven CEOs are perceived to be associated with increasing agency problems arising from CEOs' excessive empowerment (Hwang *et al.*, 2018). Power-led CEOs may emerge due to several structural powers such as CEO duality, pay slice, expert power rising from tenure length, and ownership power arising from share ownership (Onali *et al.*, 2016; Sheikh, 2018) which in its turn increase the risks surrounding the firm as well as the agency problems (Harper *et al.*, 2020).

Additionally, CEOs' power has a noticeable effect on the board emerging from their power of dominating the firm hierarchy, controlling the external governance network and information dissemination channels, giving the chance for producing a hubristic personal (Cormier et al., 2015). Consequently, the CEOs should wield their authority responsibly, and maintain their rationality and objectivity in all their decisions to better serve the firm and its stakeholders.

2.2.1 Structural power

CEOs' duality is a typical example of the structural power which enables the chief executive officer to merge between the chairman and an executive director's tasks simultaneously (DeBoskey *et al.*, 2019). Structural power constitutes one of the characteristics embedded within the CEO's job role, that assures them with excessive strength (David *et al.*, 2020). Exercising dual roles ultimately represents an official authority that both management and board of directors have to follow (Le *et al.*, 2020). Role duality leads to undivided authority between managers and board of directors which can increase their chances of entrenchment and facilitate their opportunistic behavior. Role duality confers them with unchallenged authority that can enhance their likelihood of entrenchment and enable their opportunistic behaviour. Thus, attentive boards tend to dislike duality in order to protect shareholders' wealth (Jensen and

Meckling, 1976; Benjamin and Biswas, 2019). Where they can influence the board's independence during the investment decisions (Fama and Jensen, 1983; Gontarek and Belghitar, 2020).

For this reason, some researchers argue that the notion of the CEOs' duality may correlate with their empowerment concept as these powered CEOs through gaining more bargaining power over other board members (Farag and Mallin, 2019; Tadele and Kalyebara, 2020).

2.2.2 Expert power

Years of experience is another pertinent characteristic related to the CEO's empowerment. The number of years serving as a CEO for the same firm represents the CEOs' tenure track from which they may gain some power (Harper et al., 2020). This characteristic is also known as expert power. Expert power is perceived to have extensive experience and proven years of success in managing the firm operations, which may raise the CEOs' sense of entrenchment as ;they gain work experience and skills throughout the years of their career (Sheikh, 2018),. Accordingly, the longer the tenure track, the higher the managerial power (Farag and Mallin, 2019).

There is no rule of thumb for the number of years the CEOs should spend. Some research suggests that the longer tenure tracks allow the CEOs to have more extensive awareness about the firm environment and its operations. other researchers consider that the shorter tenured CEOs' who need to exert more effort to know the firm however their freshness, this will give them the chance to think out of the box as; they are exploring their options in order to raise further investments, accepting more fresh ideas that are profitable, and willing to experiment in order to pursue change (Orens and Reheul, 2013).

On the other hand, there is another argument that as the longer tenured CEOs this may raise their tendency to take risks as; they are intimidated by how close their retirement day is. Consequently, they may focus more on risky investments associated with the short-term benefits with the aim of increasing their wealth without taking into considerations the long-term success of their organizations (Acrey *et al.*, 2011). Particularly, it is more prominent with their power due to their expertise and their skills, in contrast with the shorter-tenured CEOs as; they are not retiring any time soon, therefore; they would rather focus on long-term incentives that are less risky (Tadele and Kalyebara, 2020).

2.2.3 Ownership power

The ownership share of the CEO impacts their decisions and incentives. However, they are assumed to align their interests with shareholders in order to avoid agency disputes (Jensen and Meckling, 1976). As previously discussed, their powerful status has a considerable influence on their decisions which in its turn affects the firm's growth, profitability, productivity as well as its ability to raise capital (Javeed and Lefen, 2019). When CEOs derive power due to share ownership (Tadele and Kalyebara, 2020), they are expected to have an incentive to maximize the value of the firm (Fama and Jensen, 1983). According to prior studies, executive ownership aligns

managers' and owners' interests. They avoid focusing on short-term goals and excessive risks in order to improve firm outcomes such as entrepreneurship and innovation (Deb and Wiklund, 2017). This is attributed to relatively significant amounts of assets invested in the firm and they do not want to jeopardize losing them with risky strategies (Chikh and Filbien, 2011).

Moreover, Sheikh (2022) suggests that powerful CEOs are inclined to increase dividend distribution and raise dividend levels even though they generally have a preference against paying dividends. However, they are motivated to pay dividends when it becomes crucial for them to build a reputation for treating shareholders favourably. However, management typically resists distributing cash unless compelled to do so; thus, maintaining recurring dividends serves as an effective mechanism to restrain management from unnecessary cash expenditures (Smith et al., 2017).

3. Literature review and hypotheses development

3.1. CEO power and dividends policy

The relationship between CEO power and dividends has been the issue of several academic studies. The decision of dividend payment is within the authority of the board of directors. Yet, the CEO can also exert considerable influence on their choices (Smith *et al.*, 2017). This effect has been demonstrated by different empirical studies which indicated that management has exerted power over the board of directors' decisions. Powerful CEOs can influence dividend policy decisions in several ways. For instance, CEO power may either have positive and negative impacts on the likelihood and size of dividend payments. From the positive impact perspective, Wrońska-Bukalska (2018) concluded that CEOs' power enhances the effect of overconfidence on dividend payment therefore; the overconfident managers with more power tend to pay dividends more frequently but; pay lower dividends in terms of the amount of dividends payout. This is consistent with Sheikh (2022), confirmed that powerful CEOs have a positive effect on the likelihood of dividend payouts to establish a reputation in capital markets and to raise external financing at favorable terms. The results suggest that powerful CEOs are more likely to use dividends as a means of signaling firm value to the market. Additionally, Saleh *et al.* (2022) find that CEO power has a positive impact on firm performance. As these findings are consistent with the resource dependency theory that suggest that powerful CEOs are qualified, skilful, and have enough influence to improve strategic decision-making and align interests with institutional investors.

On the contrary side; there negative impact of CEO power on dividends policy. According to Chintrakarn *et al.* (2018) stated that powerful CEOs consider dividends are unfavourably because dividend payouts deprive them of the free cash flow they could otherwise employ in other projects. These Findings supports the agency theory which suggests that powerful CEOs may prefer stock repurchases because they provide more flexibility and control over the firm's resources, since dividends are considered as a way of mitigating the conflict of interest between shareholders and managers. In addition, David *et al.* (2020) confirm that powerful CEOs may pursue their own

objectives at the expense of shareholder interests consistent with the agency theory. For instance, CEOs who are overconfident and have more power are more prone to engage in merger and acquisition activities, regardless of the economic conditions.

Hypothesis 1: *There is a significant relationship between the CEOs' power and Dividend Policy.*

3.2. Dimensions of CEO power and dividends policy

3.2.1 CEO structural power and dividends policy

Structural power is due to CEO duality is a debatable issue among prior studies. On one hand, Structural power can provide them with undivided authority which can increase their chances of entrenchment and opportunistic behavior (Jensen and Meckling, 1976; Benjamin and Biswas, 2019). Consequently, structural power may be associated with agency problems due to compromising the CEOs' ability to exercise their responsibilities with due vigilance as; they might prioritize their own benefits and increase their risk-taking probability at the expense of the firm performance and the shareholders' best interests therefore; decreasing the board's monitoring role significantly (Li and Tang, 2010). Accordingly, structural power may decrease the quality of board monitoring, negatively affect the firm performance, and eventually reduce dividends (McGuinness *et al.*, 2015; Duru *et al.*, 2016; Mili *et al.*, 2017; Banerjee *et al.*, 2018; Shehata, 2021). Consequently, the CEOs structural power may persuade them to nominate loyal board members, such members are not willing to question their effectiveness, thus better rooting themselves within the firm (Petrou and Procopiou, 2016). The empirical evidence shows that there might be a significant increase in entrenchment due to excessive empowerment (Baatwah *et al.*, 2015).

On the other hand, CEOs' duality can boost firm value through making prompt and adaptive decisions with the surrounding stock market conditions (Sheikh, 2018) and increasing disclosure transparency when control and monitorship are combined (Yasser and Mamun, 2015). Others stated that dual directors especially when they are females as; they are more conservative that improve the implementation of corporate governance framework and mitigate agency conflicts (Benjamin and Biswas, 2019). However, some argue that duality leads to higher dividends to avoid shareholders' criticism and protect CEOs' power within the boards (Feng *et al.*, 2007). Based on the previously mentioned argument:

Hypothesis (1a): *There is a significant relationship between the CEOs' structural power and Dividend Policy.*

3.2.2 CEO expert power and dividends policy

Expert power is due to the CEO's tenure track**.** Hambrick and Mason (1984) argued that the number of years they spend in this role will significantly impact the CEOs' decisions as; their power increases their influence, therefore; they have significant authority over the firm decision-making process (Onali *et al.*, 2016). Consequently, CEO's tenure length leads them to take actions that have a considerable

effect on the business performance, growth, and market value (Shen, 2021). Some studies reveal that the longer-tenured CEOs increase the entrenchment levels, where they manipulate their executive power in order to weaken corporate governance structure, improve their loyalty status through nominating their loyal board candidates or by increasing paid dividends to maintain the shareholders' trust in their management style and their nominated board (Hu and Kumar, 2004; Feng *et al.*, 2007; McGuinness *et al.*, 2015).

On the other hand, Onali *et al.* (2016) reveal that the CEOs' power develops as their years of tenure increase, consequently, it increases their influence over the decision-making process, and decreases the firm performance. This might occur by abstaining from distributing the dividends. Additionally, Briano-turrent *et al.*, (2020) confirm that there is a negative association between CEO expert power and dividends, especially within a weak corporate governance framework. Based on the previously mentioned argument:

Hypothesis (1b): *There is a significant relationship between the CEOs' expert power and Dividend Policy.*

3.2.3 *CEO ownership power and dividends policy*

Ownership power is due to CEO share ownership**.** The relationship between CEO power due to share ownership and dividends policy is a complex and controversial topic in corporate finance. According to ,i Fama and Jensen (1983) suggest that CEOs with higher share ownership have more incentives to align their interests with shareholders and pay higher dividends Furthermore, Geiler and Renneboog (2016) argue that CEOs use their power to set their pay-out policy. In this situation, the main factor that drives their decision is how such a decision may affect their own wealth. Consequently, CEOs have more power than shareholders especially if they are also the chairman of the board, they will pay dividends when they own more shares in the firm (Smith *et al.*, 2017). On the other hand, some studies argue that powerful CEOs may prefer lower dividends to retain more cash and avoid external scrutiny (Jensen, 1986). Moreover, the effect of CEO power on dividend policy may depend on other factors such as government monitoring, institutional ownership, board independence, and shareholders' rights (Onali *et al.*, 2016; Chintrakarn *et al.*, 2018). Therefore, the relationship between CEO power due to share ownership and dividends policy is vague and may vary across different contexts and situations.

Thus, the previously mentioned literature suggests that CEOs' power may lead to the occurrence of entrenchment or the alignment of both the CEOs' and the shareholders' needs. However, there is no clear direction for the impact of CEOs' power on dividends payout policy, consequently, this issue still needs further investigation. Based on the previously mentioned argument:

Hypothesis (1c): *There is a significant relationship between the CEOs' ownership power and Dividend Policy.*

4. Research Methodology

In this study, a quantitative approach has been adopted to answer how does CEO power index collectively, and the separate dimensions of CEO power can affect the firms' dividend policy. This will be discussed in the next section as follows.

4.1. Sample and data collection

The initial sample focused on firms listed on the Egyptian Stock Exchange EGX (100) index, for the period from 2017 to 2021. First, 12 banks and 5 financial firms were excluded due to the uniqueness of their activities and regulations which are substantially different from their non-financial counterparts. In addition, 12 firms with incomplete data were omitted as some of these firms were newly listed in the EGX. Therefore, the final sample composed of 71 firms, resulting in a total of 355 firm-year observations.

Second, the financial data has been collected using Thompson Reuters EIKON database. Meanwhile, the daily stock closing prices were collected from *Investing.com* website.

Third, the CEO characteristics data were manually collected from the annual board meeting reports, acquired through the firms' websites, the Egyptian Stock Exchange website, as well as *Mubasher.com* website.

4.2. Variables measurement

The independent variable is the CEOs' power. The dependent variable is the dividends payouts, and the control variables are profitability, leverage, firm size, and Covid-19, as mentioned in **Table (1)** and explained as follows.

3.1.1 ***The independent variable: CEO power index.*** The CEO power composite index composed of a set of characteristics covering several dimensions of power (Saleh *et al.*, 2022). The constructed index is based on an unweighted scoring technique, it is the summation of three power forms: structural, expert, and ownership power, where each dimension is scored 1 if the item in the index has occurred; and (0) if otherwise.

First dimension, Structural power - CEO Duality. The CEO's structural power is derived from serving as a chairman and a CEO simultaneously (Feng *et al.*, 2007). This has been measured as a dichotomous variable, (1) if the CEO duality exists, and (0) if otherwise (Baatwah *et al.*, 2015; Sheikh, 2018). Other measures for CEOs' structural power such as the CEO's pay slice were difficult to be used due to the confidentiality of such information in Egypt.

Second dimension, Expert power - CEO Tenure. CEO's expert power due to their tenure track refers to the number of years in the same position (length of tenure), consequently, gaining more experience within the decision-making process autonomy (Banerjee *et al.*, 2018; Altunbas *et al.*, 2019; David *et al.*, 2020). CEO Tenure refers to the number of years the CEO remains in the same position within the same firm and

was utilized in the model (2). However, CEO's expert power is measured as an index as in Model (1), equals to (1) if the CEO's tenure length is greater than the sample median, and (0) if otherwise.

Third dimension, Ownership power – CEO Share ownership. CEO Ownership refers to the CEO's share ownership ratio and was utilized in Model (2). However, in order to employ it in the index as in model (1), CEO share ownership equals (1) if the CEO's ownership ratio is greater than 5%, and (0) if otherwise. This measure pertains to when the CEO beneficially owns five percent or more of the shares of the firm (Ghosh *et al.*, 2007; Javeed and Lefen, 2019; Saleh *et al.*, 2022). On the other hand, there is an alternative measure such as the CEO being the founder of the firm (Cormier *et al.*, 2015; Sheikh, 2018) was not used as; it was not accurately available through searching for the history of the firm.

4.2.3 ***The dependent variable: Dividends payout*** The firm dividends payout (DP) are measured through three proxies consecutively: Dividends Payout Decision (*DPD*), Dividends yield (*DYR*), and Dividends Payout Ratio (*DPR*) in order to perform robustness tests (Hwang *et al.*, 2018; James and Wang, 2021).

4.2.4 ***The control variables*** include the following: Profitability ***(ROE),*** Leverage ***(LEV),*** Firm Size ***(SIZE),*** Covid-19 ***(COVID)*** as explained in Table (1).

Profitability (ROE) is the return on equity, as a proxy for firm performance, measured through net income divided by equity (Feng *et al.*, 2007). (Adjaoud and Ben-Amar, 2010), stated that there is a positive relationship between highly profitable firms and dividends payout.

Leverage (LEV) total liabilities divided by total assets. Nguyen *et al.* (2021) have found a negative between leverage and dividends payout as these CEOs were burdened with the interest payments associated with the debts; thus, decreasing dividends. While (Adjaoud and Ben-Amar, 2010) reveal that there is a positive relationship with dividends payout, assumed that CEOs were trying to ease their free cash flow problems through debts.

Firm Size (SIZE) measured through the natural logarithm of total assets, Hoang *et al.*, (2020) have reported a positive relationship with dividends payout as; large-scale firms have more ability to fulfill their dividends obligations in order to attract further investors.

Covid-19 (COVID) is a dichotomous dummy variable equals to (1) for the Covid-19 years, and (0) otherwise. This control variable was included since the pandemic era had a significant role in signaling firm growth prospects (Ali, 2022).

4.3. Research regression models

The following multiple regression models were developed focusing on the impact of CEO Characteristics: CEO's power (CEO_PWR) on the dividends policy decision (DPD) (dependent variable). This model will be measured using the three proxies (DPD, DYR, and DPR), and the control variables (ROE, LEV, SIZE, and COVID) as

explained in **Model (1).** While **Model (2)** focuses on the impact of the separate CEO power characteristics, its subcomponents (CEO_Duality, CEO_Tenure, and CEO_Ownership) with DP. **Table (1)** below includes all the research variables used in this study. Hence, the following regression models were developed:

$$DP_{i,t} = ß_0 + ß_1 CEO\_PWR_{i,t} + ß_2 ROE_{i,t} + ß_3 LEV_{i,t} + ß_4 SIZE_{i,t} + ß_5 COVID_{it} + Ɛ_{i,t} \quad (1)$$

$$DP_{i,t} = ß_0 + ß_1 CEO\_Duality_{i,t} + ß_2 CEO\_Tenure_{i,t} + ß_3 CEO\_Ownership_{i,t} + ß_4 ROE_{i,t} + ß_5 LEV_{i,t} + ß_6 SIZE_{i,t} + ß_7 COVID_{it} + Ɛ_{i,t} \quad (2)$$

Table (1): Research variables

Variables	Abbreviation	Measure	Reference
Independent Variable:			
CEO Power Index:	CEO_PWR_{it}	It is the summation of CEO_Dual, CEO_Tenure, and CEO_ownership, where ranges between (0) and (3). (1) indicates that the index measures one CEO characteristic, (2) indicates the CEO index measures two characteristics, and (3) if all characteristics are measured.	(Luo, 2015; David *et al.*, 2020; Saleh *et al.*, 2022)
CEO Duality	$CEO\_Duality_{it}$	Equals to (1) if the CEO duality exists, and (0) if otherwise (used both separately and in the index)	(Baatwah *et al.*, 2015; Sheikh, 2018)
CEO Tenure	CEO_Tenure_{it}	Equals to (1) if the CEO's tenure length is greater than the sample median, and (0) if otherwise.	(Banerjee *et al.*, 2018; Altunbas *et al.*, 2019; David *et al.*, 2020).
CEO Ownership	$CEO\_Owenrship_{it}$	Equals to (1) if the CEO's ownership ratio is greater than 5%, and (0) if otherwise	(Ghosh *et al.*, 2007; Javeed and Lefen, 2019; Saleh *et al.*, 2022)
Dependent Variable:			
Dividends Pay-out	**DP**	Its measurement is repeated three times, based on three separate proxies: $DPD_{i,t}$, $DYR_{i,t}$, $DPR_{i,t}$	(Hwang *et al.*, 2018; James and Wang, 2021).
Dividends Payout Distribution	$DPD_{i,t}$	Dummy variable (1) if the firm distributed cash dividends, and (0) otherwise	
Dividends yield ratio	$DYR_{i,t}$	The ratio of dividends per share to the market price per share	
Dividends payout ratio	$DPR_{i,t}$	is the ratio of total cash dividends paid to the net income	
Control Variables:			
Return on Equity	$ROE_{i,t}$	Ratio of net income to total shareholders' equity	(Feng *et al.*, 2007; Adjaoud and Ben-Amar, 2010)
Leverage	$LEV_{i,t}$	Ratio of total liabilities to total assets	(Adjaoud and Ben-Amar, 2010; Park and Song, 2019)
Firm Size	$SIZE_{i,t}$	Natural logarithm of the total assets of the firm	(Hoang *et al.*, 2020)
Covid-19	$COVID_{i,t}$	Dummy variable (1) for the covid years, and (0) otherwise	(Ali, 2022)

5. Empirical results and discussion

5.1 Descriptive statistics

Table (2) presents a summary of the research variables, presented under three panels; **Panel (A)**, **Panel (B), and Panel (C). Panel (A)** includes the continuous variables and **Panel (B)** includes the descriptive statistics regarding the dichotomous variables included in the models (1), and (2). **Panel (C)** includes the descriptive statistics of the CEO power index components. All the data regarding the continuous variables used in this research have been winsorized, in order to solve the effect of outliers.

Regarding the independent variables, the *CEO_PWR* index is a categorical variable with four possible values (0, 1, 2, or 3) which indicates the degree of power that a CEO holds in their organization. The higher the number, the higher the CEO power. The results showed that almost 11% of the sampled CEOs had no power (i.e., a score of 0) in their organization, while the majority is (39.72%) showed at least one of the three forms of power exists (i.e., a score of 1). While; 36.06% had a moderate level of power (i.e., a score of 2), and less than a quarter of the sample (13.52%) demonstrated a high level of power (i.e., a score of 3).

Furthermore, the CEO power index is composed of three dimensions; structural power, expert power, and ownership power as in Table (2) Panel (C). The structural power dimension, proxied by the CEO duality, is the most prevalent characteristic accounting for 51.27% of the sample. The expert power dimension measured by CEO_Tenure, showed that the sampled CEOs stay on average for approximately 8 years. Finally, the ownership power dimension is measured using CEO_Ownership indicate that CEOs controlled on average 22.5% of the shares, significantly greater than 5% of the firm outstanding stocks. These descriptive statistics shed light on the distribution and composition of CEO power within the sample.

Concerning the three alternative measures of the dependent variable and the independent variables are shown in Table (2) below. DPD show that almost 70% of the sampled firms distribute cash dividends. The descriptive statistics show that the dependent variable *DYR* ranges between (0.0 and 0.10) with a mean of (0.27), indicating that the dividends yield of the sampled firms on average pays out 2.7% of its current stock price as dividends. *DPR* ranges between (0.00 to 0.188) with a mean of (0.049), the acquired results showed that the firms usually declared dividends around 5% of the total reported earnings of ordinary shareholders.

To satisfy the assumptions of ordinary least square regression (OLS), tests of normality, multicollinearity, homogeneity, and serial autocorrelation are conducted, the results are presented in the next section.

Table (2): Descriptive statistics

Panel A: *Descriptive statistics for continuous variables*

Variable	Mean	Median	Std. Dev.	Min	Max
DYR	.027	.01261	.032	0	.091
DPR	.049	.01638	.064	0	.188
CEO_Tenure	8.11	5.00	7.948	1	37
CEO_Ownership	.22505	.06314	.283435	.000	.969
ROE	1.488	1.1563	1.193	.134	3.875
LEV	1.581	1.1576	1.269	.296	4.311
SIZE	9.465	9.4257	.564	8.617	10.427

Panel B: *Descriptive statistics for categorical variables*

Variable	Modality	Frequency	(%)
CEO_PWR	0	38	10.70
	1	141	39.72
	2	128	36.06
	3	48	13.52
CEO_Duality	0	173	48.73
	1	182	51.27
DPD	0	107	30.14
	1	248	69.86
COVID	0	213	60.00
	1	142	40.00

Note: In **Panel (A)**, *DYR* is the dividends yield ratio, *DPR* is the dividends payouts ratio, *CEO Tenure* is the CEO tenure years, *CEO ownership is* the CEO share ownership ratio, *ROE* is the return on equity, *LEV* is the firm leverage, *SIZE* is the firm size. In **Panel (B),** *CEO_PWR* is the CEO's power index, and *CEO_Duality* is the CEO duality. *DPD* is the cash dividends distribution decision, *COVID* is the coronavirus years.

5.2 Correlation results

The correlation matrix in **Table (3)** presents both Pearson and Spearman correlation coefficients among the dependent (DP) in all its three measures (DPD, DYR, DPR) and independent variable (CEO_PWR) used in Model (1). First, the correlation matrix shows that there is a significant positive correlation between *CEO_PWR* and dividends policy proxied by (*DPD*). However, there is an insignificant correlation between *CEO_PWR* and dividends policy when proxied by (DYR) and (DPR). While **Table (4)** the correlation coefficients among the dependent (DP) using all its three measures (DPD, DYR, DPR) and independent variables (CEO_Duality, CEO_Tenure, and CEO_Ownership) used in Model (2). Only CEO-Duality depicted a significant positive correlation between all three proxies of (DP) represented in (DPD), (DYR) and (DPR). However, CEO_tenure and CEO_Ownership have an insignificant relationship with all three measures of dividends policy (DP).

In order to check for the presence of multicollinearity, a Variance Inflation Factor (VIF) analysis is performed and presented in the last two columns in **Table (3).** The VIF test results as observed show that none of the predictors have values exceeding the threshold of 10.0 (Hair *et al.*, 2018), indicating that multicollinearity is not a problem for the forthcoming analysis.

Table (3) Correlation coefficients matrix and variance inflation factor

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	VIF (1)	VIF (2)
(1) DPD	1	.407**	.430**	.407**	.430**	-.013	.063	.205**	-.024	.244**	.035		
		.000	.000	.000	.000	.810	.234	.000	.648	.000	.510		
(2) DYR	.464**	1	.608**	-.011	.092	-.132*	-.024	.007	-.201**	.202**	.011		
	.000		.000	.835	.083	.013	.653	.901	.000	.000	.835		
(3) DPR	.744**	.652**	1	.052	.169**	-.091	.000	-.254**	-.273**	.056	.002		
	.000	.000		.328	.001	.086	.996	.000	.000	.294	.965		
(4) CEO _PWR	.123*	.016	.092	1	.688**	.377**	.332**	.158**	-.039	-.107*	-.110*	1.06	
	.020	.766	.084		.000	.000	.000	.003	.466	.044	.038		
(5) CEO _Duality	.121*	.119*	.164**	.707**	1	.103	.058	.084	-.109*	-.126*	-.239**		1.13
	.023	.025	.002	.000		.053	.275	.115	.041	.018	.000		
(6) CEO _Tenure	-.020	-.115*	-.025	.434**	.099	1	-.238**	.308**	.063	.064	-.020		1.19
	.700	.030	.642	.000	.063		.000	.000	.233	.226	.701		
(7) CEO _Ownership	.024	-.044	-.048	.436**	.089	-.174**	1	-.065	.029	.084	.090		1.10
	.655	.404	.371	.000	.095	.001		.221	.582	.114	.091		
(8) ROE	.270**	.105*	-.023	.081	.034	.191**	-.092	1	.410**	.127*	-.045	1.25	1.35
	.000	.047	.660	.126	.524	.000	.082		.000	.016	.395		
(9) LEV	-.006	-.138**	-.238**	-.059	-.159**	.047	.045	.388**	1	.358**	-.003	1.37	1.39
	.918	.009	.000	.264	.003	.374	.397	.000		.000	.951		
(10) SIZE	.272**	.253**	.165**	-.088	-.115*	.008	.000	.191**	.351**	1	.053	1.16	1.17
	.000	.000	.002	.099	.030	.879	.994	.000	.000		.320		
(11) COVID	.035	.027	.004	-.113*	-.239**	-.046	.103	-.060	-.022	.056	1	1.02	1.08
	.510	.618	.944	.034	.000	.387	.054	.262	.684	.291			

Notes:

a- Pearson (above diagonally) and Spearman (below diagonally) correlation matrix.

b-**Correlation is significant at the 0.01 level (2-tailed). *Correlation is significant at the 0.05 level (2-tailed).

c-VIF (1) results are related to Model (1), and VIF (2) results are related to Model (2).

5.3 Hypotheses testing results

The remaining assumptions of ordinary least square regression (OLS), homoskedasticity, and serial correlation tests were carried out. The Modified Wald test results were significant at ($p < 0.05$), indicating that there is heteroskedasticity in the regression residuals while; the Wooldridge test for autocorrelation test results are insignificant as; ($p > 0.05$), therefore; there is no serial correlation among the residuals. Consequently, Generalized least square (GLS) regression is advised in order to address heteroskedasticity (Gujarati and Porter, 2022), which was incorporated in running model (1) based on using continuous measures such as DYR and DPR. With regards to running the same model while incorporating DPD, logistic regression is necessary. The regression results are as follows.

Table (4) proposes the regression analysis for the research hypotheses in the following order of dividends policy (DP) proxies (1) *DPD*, (2) *DYR*, and (3) *DPR*. As observed from the results in **Table (4)** that first, when regressing model (1) based on the *DPD* measure for dividends policy, the goodness of fit for the whole model (Prob>chi2 =0.244) is not significant (p-value >0.05), indicating that the proposed model accepts the null hypothesis, consequently; there is no evidence of lack of fitness. Additionally, *CEO_PWR* have a significant positive relationship with *DPD*, with a coefficient (.297) significant at ($p < 0.05$). The logistic regression results show that the coefficients of the control variables *ROE* (.576), *LEV* (-.492), and *SIZE* (1.324) were significant with *DPD* at ($p < 0.01$) level. As a result, the significant coefficient for CEO power indicates that higher CEO power increases the likelihood of the company to declare cash dividends distribution.

While in **Table (5),** when examining the separate components of the CEO power index against DPD, the goodness of fit of the whole model (Prob>chi2 =0.1605) is not significant (p-value >0.05), indicating that the proposed model accepts the null hypothesis, therefore; there is no evidence of lack of fitness. Additionally, the regression results show that the significant predictors of dividends payout decision (DPD) between the independent variables are CEO duality and CEO tenure. The coefficient of CEO duality is positive (.759) and significant at the 1% level, therefore, firms with CEO duality are more likely to pay dividends rather than firms without CEO duality. The coefficient of CEO tenure years is negative and significant at the 5% level with DPD, , indicating that firms with longer-tenured CEOs are less likely to pay dividends than firms with shorter-tenured CEOs. This suggests that longer-tenured CEOs may have more power and discretion over the firm's resources and prefer to retain earnings for future investments or consumption. The coefficient of CEO ownership is not significant; therefore, it does not affect the decision of the firm to distribute dividends.

Second, as observed in the GLS regression results in **Table (4)** when dividends policy was proxied by *DYR*, *CEO_PWR* had an insignificant relationship with *DYR*. The GLS regression results also show that the coefficients of the control variables *ROE* (.003) at ($p < 0.05$) level, and *LEV* (-.009), *SIZE* (.018) are significant with *DYR* at

($p<0.01$). The insignificant results regarding the relationship between CEO power and DYR indicate that CEO's powerfulness does not impact the dividends yield ratio.

While in **Table (5),** focus on examining the separate components of the CEO power index against DPY, the regression results show that the significant predictors of dividends yield (DYR) among the independent variables were CEOs' duality, tenure years, and share ownership ratio. The coefficient of CEO duality is positive (.008) and significant at the 5% level, indicating that firms with CEO duality are more likely to pay higher dividends yield than firms without CEO duality. The coefficient of CEO tenure years is negative (-.001) and significant at the 1% level, indicating that firms with longer-tenured CEOs are less likely to pay dividends than firms with shorter-tenured CEOs. This could be due to various factors, such as changes in strategic priorities or a focus on reinvesting profits into the firm. The coefficient of CEO ownership is negative (-.11) and significant at the 10% level, indicating that firms with higher CEO ownership have lower dividend yield than firms with lower CEO ownership. This suggests that higher CEO ownership is associated with lower dividend payments. It is important to note that the negative impact is statistically significant but relatively weak.

Third, as observed in the GLS regression results in **Table (4)** when dividends policy was proxied by DPR, CEO_PWR had a significant positive relationship with DPR, with a coefficient (.007) significant at ($p <0.01$). The GLS regression results also show that the coefficients of the control variables ROE (-.01), LEV (-.006), and SIZE (.012) at ($p<0.01$) are significant with DPR. The significant coefficient for CEO power indicates that the higher the CEO power, the higher the dividends payout ratio.

While in **Table (5),** when examining the separate components of the CEO power index against DPR, the regression results show that the only significant predictor of dividends payout ratio (DPR) among the independent variables is CEO duality. The coefficient of CEO duality is positive (.025) and significant at the 1% level, indicating that firms with CEO duality are more likely to pay higher dividends yield than firms without CEO duality.

With regards to the relationship between CEO power and dividends policy, the regression results support Hypothesis (1) when dividends policy is proxied by the decision to distribute cash dividends (DPD) and dividends payout ratio (DPR) and not with (DYR). the results show that *CEO_PWR* has a significant (at $p<0.1$) positive coefficient (.297) impact on DPD, a significant (at $p<0.05$) positive coefficient (.007) impact on DPR, and insignificant with DYR. This indicates that CEO who possess higher power due to combining together their role duality, tenure length, and share ownership tend to have a higher likelihood of paying dividends and distributing higher amounts. This result is consistent with Park and Song (2019) as; the powerful managers may use dividends as a way to signal to the market their superior skills and greater motivation to generate high-quality earnings, potentially due to their lower aversion to risk. Additionally, Smith *et al.*, (2017) confirmed that powerful CEOs make a decision that favors them consequently; they distribute dividends to the shareholders as a compromise/substitute for the weak corporate governance, in return for the CEO power

that comes with the dual CEO role, or high ownership. Furthermore, Sheikh (2022) suggested that powerful CEOs are reluctant to pay dividends and only do so when they want to build trust with shareholders, especially during low profitability and high cash flow volatility.

With regards to the separate dimensions of the CEO power, the regression results support Hypothesis (1a), indicating that only CEO duality affected dividends policy in all its forms (DPD, DYR, DPR). The results suggest that CEO duality may reflect the CEO's power and commitment to share the firm's earnings with the shareholders. It may also reflect the dual CEOs' tendency to signal to the outside market their due diligence until they completely comply with the EFSA decision no. (47) in 2020. This is consistent with Smith *et al.*, (2017), CEOs are trying to appease shareholders by distributing dividends in order to relinquish some control of the cash flow. On the other hand, CEO tenure years, which represent expert power, reflect the accumulated knowledge and experience of the CEO. The regression results support Hypothesis (1b), where CEOs with longer tenures may be more cautious in their decision-making, preferring to retain earnings to reinvest in the company's growth and long-term sustainability. They may view dividend distributions as a signal of decreased investment opportunities or financial distress, leading to a negative relationship with the decision to distribute dividends. This result is consistent with (Onali *et al.*, 2016; Briano-turrent *et al.*, 2020). The other independent variable, namely CEO ownership, which is the percentage of shares owned by the CEO, is not significantly associated with DPD, implying that it does not affect the firms' decision to distribute dividends or not.

With regards to the amount of dividends being distributed, the results show that both CEO_Tenure and CEO-Ownership are negatively affect DYR. This means that firms with longer-tenured or higher-owned CEOs tend to pay lower dividends relative to their share price. This is consistent with (Jensen, 1986; Onali *et al.*, 2016; Chintrakarn *et al.*, 2018; Briano-turrent *et al.*, 2020). As a result, Hypothesis (1b) is accepted, indicating that CEO tenure years has a significant negative effect on the firms' dividends policy, when proxied by dividends yield only (DYR), and an insignificant effect on DPD and DPR. Additionally, Hypothesis (1c) is accepted, indicating that the CEO ownership ratio also has a significant negative effect on the dividends policy when proxied by DYR only. This is apparent in the relatively low amount of dividends distributed observed in the descriptive results in Table (2), where DYR on average scored approximately 3% only out of the total share price.

Finally, the control variables *ROE, LEV,* and *SIZE* have significant coefficients in almost all regression models, indicating that profitability, leverage, and firm size have an impact on dividend payout decisions. The results are inclined with (Adjaoud and Ben-Amar, 2010; Park and Song, 2019; Hoang *et al.*, 2020), this implies that the firm profitability (*ROE*), and company size (SIZE) are important firm-specific indicators that played a vital role in increasing the dividends distributed substantially due to their capability in providing enough cash to pay more dividends. However, ROE has a negative relationship with the amount of dividends distributed represented in (DPR).

This result indicates that the sampled firms may tend towards the decision to distribute dividends when they have enough funds, but they may refrain from distributing high amounts (i.e. DPR) in order to reinvest into other projects (Ofori-Sasu *et al.*, 2017; Yan and Ni, 2019)While, the firm leverage (*LEV)* reported a negative impact on the CEOs' willingness to pay out dividends due to their pressuring need to repay their loans, consistent with (Jensen and Meckling, 1976; Park and Song, 2019; Yan and Ni, 2019). Finally, *COVID* did not report a significant relationship with all the three proxies of dividends policy, thus controlling this variable indicated that the proposed model is not affected by the coronavirus years.

Table (4): CEOs' Power index regression analysis

Dependent variable	(1) DPD	(2) DYR	(3) DPR
Independent variables	***Coef. (Odds ratio)***	***Coef.* (t-value)**	***Coef.* (t-value)**
CEO_PWR	.297 (1.346) **	0(0.20)	.007 (1.77) ***
ROE	.576 (1.779) ***	.003(2.11) **	-.01 (-3.35) ***
LEV	-.492 (.611) ***	-.009 (-6.29) ***	-.013 (-4.48) ***
SIZE	1.324 (3.759) ***	.018 (5.94) ***	.021 (3.42) ***
COVID	.212(1.237)	0 (-0.05)	-.001 (-0.13)
Constant	-12.132 (0) ***	-.133 (-4.69) ***	-.12 (-2.13) **
Obs.	355	355	355
Pseudo-R^2	0.1268***	-	-
Goodness of fit (Prob>chi2)	363.88 (0.2440)	-	-
Industry and year effects	Yes	Yes	Yes
Wald X^2	-	56.474***	54.223***

Note: ****Significance at p-value<0.01, ** Significance at p-value<0.05, * Significance at p-value<0.1 levels*

Table (5): CEOs' Power index subcomponents regression analysis

Dependent variable	(1) DPD	(2) DYR	(3) DPR
Independent variables	***Coef. (Odds ratio)***	***Coef.* (t-value)**	***Coef.* (t-value)**
CEO_Duality	.759 (2.136) ***	.008 (2.31) **	.025 (3.89) ***
CEO_Tenure	-.046 (.955) **	-.001 (-4.11) ***	-.001 (-1.25)
CEO_Ownership	.061 (1.063)	-.011 (-1.85) *	-.012 (-1.02)
ROE	.717 (2.048) ***	.004 (2.93) ***	-.009 (-3.14) ***
LEV	-.563 (.57) ***	-.009 (-6.42) ***	-.012 (-4.26) ***
SIZE	1.466 (4.332) ***	.02 (6.65) ***	.022 (3.75) ***
COVID	.362 (1.437)	.002 (0.62)	.004 (0.68)
Constant	-13.156 (0) ***	-.147 (-5.35) ***	-.137 (-2.48) **
Obs.	355	355	355
Pseudo-R^2	0.150 ***	-	-
Goodness of fit (Prob>chi2)	372.07 (0.1605)	-	-
Industry and year effects	Yes	Yes	Yes
Wald X^2	-	80.743***	68.907***

Note: ****Significance at p-value<0.01, ** Significance at p-value<0.05, * Significance at p-value<0.1 levels*

6. Conclusion

This research explores how CEOs' personal characteristics, influenced by their past experiences and personal preferences, affect dividends policy among a sample of Egyptian firms over a 5-year period. Based on the signalling theory, this study argues that CEOs' power, stemming from their duality, tenure length, and share ownership, affect their judgment and their critical decisions, such as `dividend distribution choices. Thus, psychological and demographic characteristics may be important factors in shaping the strategy process of the top management teams, especially the CEOs.

For this reason, a sample comprising 71 firms listed on EGX100 through the period from 2017 to 2021, the findings reveal that increase in CEOs' empowerment due to duality, longer tenure tracks, and higher share ownership all together can significantly encourage them to declare dividends distribution and increase the amount of cash dividends paid. These results propose that CEOs' inclination to distribute further dividends depends heavily on their personality and demographic characteristics.

In conclusion, the study results concerning the relationship between CEO power and dividends policy provide insights from a signaling theory perspective. The significant positive relationship between CEO power and the decision to distribute cash dividends and dividends payout ratio can be interpreted in the context of signaling theory. CEO power may act as a signal to external stakeholders such as investors and financial analysts about the firm's positive future prospects and financial stability by increasing dividend payouts. Consequently, powerful CEOs may convey significant influence over the firm's ability to generate sustained profits and attract investment.

Our findings not only confirm that CEO power is an important factor in determining firms' dividend policies but also further discover that CEO power dimensions have varying influences in the likelihood and the size of dividend payments in different ways, both separately and collectively. The results reveal that CEO duality had a positive relationship with the probability and the amount of dividends distributed. Therefore, the EFSA decision no (47) in 2020 to prohibit CEOs' role duality to limit the CEOs' power and their chances to expropriate the shareholders' wealth. Consequently, these results are not contradicting with the EFSA's decision no. (47) to prohibit CEO duality however, it provides an insight into the dual CEOs are conveying to the outside stock market, until they adhere to the regulations and separate the two roles. In contrast, CEOs who have a long tenure track may have more control and freedom over the firm's assets and like to keep earnings for future projects, instead of paying dividends, which can be seen as a risky move. Finally, CEO tenure years and CEO ownership ratio had a significant negative impact on the amount of dividends distributed. This could imply that longer-tenured or higher-owned CEOs prefer to retain earnings for future investments, or alternatively face less pressure from the market or the board to distribute high dividends.

These findings suggest that CEO power is a complex and multifaceted concept that needs to be examined in detail to understand its impact on dividend policies.

Overall, the study highlights the importance of considering the various dimensions of CEO power when analyzing dividend policies and provides insights into the nuanced relationship between CEO power and dividend payouts.

Overall, the study results emphasize the role of signalling theory in understanding the relationship between CEO power and dividend policy. Further research could delve into the specific mechanisms through which CEO power signals firm performance and explore the impact of other signalling mechanisms on dividends policy. This would enhance our understanding of how CEO characteristics influence the signalling process and its implications for stakeholders in the financial market.

The relationship between CEO power and dividends policy uncovered in this study has important implications for various stakeholders and areas of research: First, Regulators and lawmakers should consider the influence of CEO power on dividend decisions since; it can help in outlining the policies that promote transparency, accountability, and responsible corporate behavior. For example, the prohibition of CEOs' duality was a step forward in the direction of sound corporate governance practices in Egypt. Second, investors should recognize the significance of CEO power in assessing the attractiveness and stability of a firm's dividends. Besides, investors should evaluate the significance of powerful CEOs' agenda in assessing the profitability and stability of a firm's dividends. Third, this study opens avenues for future research. Scholars can explore the role of CEO power in different cultural and institutional contexts to understand its varying effects on dividend policy. For instance, investigating the impact of CEO power on other financial and non-financial outcomes, such as firm performance, and corporate social responsibility, can provide a comprehensive understanding of the implications of CEO power.

While this study provides insights into the relationship between CEO power and dividends policy, there are certain limitations that should be acknowledged. First, the study is conducted in a specific context (Egypt) and with a limited sample size of 71 firms listed on the EGX and the narrow sample period between 2017-2021 may limit the generalizability of the findings to a broader population. Therefore, it is advised to use a larger sample size, explore beyond the utilized sample period or examine multiple markets in the future to enhance the external validity of the results. Second, the measurement of CEO power in this study is based on a composite index comprising CEO duality, tenure length, and share ownership. However, these indicators capture important aspects of CEO power, they may not encompass all dimensions of power including additional variables or alternative measures of CEO power can provide a more comprehensive understanding of its impact on dividend policy. Third, this study incorporated few of the key control variables affecting dividends policy namely leverage, profitability, and firm size, based on their recognized significance in prior literature. Future research can explore other potential controls, for instance, firm age, industry type, market-to-book ratio, and liquidity, among others.

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