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Abstract: In the present study, we investigate the influence of corporate governance quality on the dividend policy of Asian emerging markets. First, we assess the level of corporate governance quality through a comprehensive index comprised of the combined board governance attributes (board of directors, ownership status, and progressive practices) and firm fundamentals through attributes of financial ratios. Then, using a sample of non-financial firms from the stock exchanges of the respective emerging markets (China, India, and Pakistan), our results depict firms' corporate governance quality as a relevant factor for dividend pay-out.

Keywords: corporate governance quality; firm fundamentals; dividend policy; dividend pay-outs; emerging markets; Asia.

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1 Introduction

The firm's concept explains the various contracts among production factors to independently increase the firm's optimisation (Fama, 1980). One of the contracts is the agency contract, which is the relationship between the shareholders and managers who act as principal agents (Jensen and Meckling, 1976). Sometimes, these agents work for their interests than for shareholders, which creates conflict between them. As a result, the shareholders bear the agency cost to resolve this conflict, making an agency issue (Dalton et al., 1998). To reduce the agency problem that arises from the contractual agreements, the concept of corporate governance (CG) emerges (Shleifer and Vishny, 1997). They explain CG as a field concerned with the 'ways the finance suppliers assure themselves that they receive a return on the investment made in the business'. More precisely, CG calls for the pathways through which the finance providers ensure that their money is in the right hand. Thus, they will receive a sound return on their contribution to the business. The OECD (1999) states that CG comprises the relationship and association between the board, shareholders, stakeholders and the proper structure to set its objectives. These means are essential to attain these objectives and control and monitoring systems.

CG is equally essential for the emerging or less developed economies, as it is for developed ones. Its existence gets its roots due to several events in history, where the corporate sector behaviour has affected the economies by the financial crises of 1998 in Asia and Brazil. Scandals of the USA (Enron and WorldCom) and Europe also highlight a proper governance system deficiency. Henceforth, its importance is gaining heights from developed to developing economies as many global firms are putting more effort into CG to achieve better internal control and, consequently, high performance. In the last two decades, CG has become one of the heated topics in the context of emerging markets (Al-Malkawi et al., 2014; Black et al., 2014).

In comparison to developed markets, the issues related to ownership concentration, weak institutions, and dominance of strong business groups are more observable in emerging markets which further intensify the agency conflicts (Hou et al., 2012; Kumar and Zattoni, 2013, 2016). Therefore, CG phenomena are of immense importance for emerging countries as much work is required to advance governance quality to make firms effective and controllable. A more robust governance pattern ultimately results in more substantial and relevant policymaking, which benefits the organisation.

The extant literature shows CG engagement at a broader level with several quality dimensions. It demonstrates its impact with different variables like equity pricing, bond ratings, bond yield, firm performance, credit rating, cash holding, liquidity and corporate social responsibility (Bhojraj and Sengupta, 2003; Harford et al., 2008; Chung et al., 2010; Fayyaz et al., 2021). CG also shows its link with dividend policy taking different corporate governance elements. The literature covers the relationship between corporate governance and dividend policy based on different approaches and contexts (Jiraporn et al., 2011; Yarram and Dollery, 2015; Esqueda, 2016; Elmagrhi et al., 2017; Atanassov and Mandell, 2018). Yet require more revelation to open new future discussion avenues.

The dividend has been the most debated topic for financial decision making among researchers and practitioners (Benjamin et al., 2015). It is crucial in the business organisation's view that how much of the earnings should help a business investment and how much it should pay to the shareholders in a dividend. The management looks carefully while deciding on the new opportunities available to them, giving them desirable future earnings (Jalal et al., 2016). If such options are available, the business reinvests its profit, and if not, it distributes as dividends (Jensen, 1986). According to Rozeff (1982) and Jensen and Meckling (1976), the dividend paid reduces the agency cost linked to ownership separation and control. The separation of ownership and control arises when shareholders hire agents to work for them. However, this relationship sometimes leads to principle-agent conflict, due to which the company incurs the agency cost (Jensen and Meckling, 1976). The free cash flow theory also explains the agency cost, where businesses can utilise excess cash flow for funding projects with positive net present value (Jensen, 1986). Therefore, managers tend to invest excess cash into unnecessary investments which are not suitable for the shareholder. This conflict increases when there is a favourable free cash flow. Hence, the firm should pay a dividend instead of retaining excess cash and, in turn, reduce agency costs.

In countries with solid legal protection to minority shareholders, the management tends to pay a dividend concerning CG. On the other side, minority shareholders cannot force the management to pay dividends in countries with weak legal protection (la Porta et al., 2000). The firms require intense CG to establish a competitive corporate sector. These firms take different decisions regarding their various aspects. The dividend decision is the one and is generally explained by the agency theory (Jensen, 1986). The firms with intense CG tend to have a high pay-out ratio compared to weak governance (Kanojia and Bhatia, 2021; Renneboog and Szilagyi, 2006).

Therefore, to contribute to the ongoing debate of CG and dividend pay-outs and open new research avenues, in the present study, we aim to answer, "What is the impact of corporate governance quality (CGQ) on the dividend policy of non-financial firms? The present study aims to find these answers in China, India, and Pakistan. We also answer any similarities in the dividend pay-out pattern among the selected economies. To assess the influence of CGQ on the dividend pay-out decision, we collect the data from the Asian Emerging markets, China, India and Pakistan. Rather than relying on individual governance attributes, we then imply the CGQ index to give more reliable results for the study distinguish the present research (Chung et al., 2010) on dividend pay-outs.

We organise the remaining paper as; Section 2 provides the study's theoretical framework and hypothesis development background. Then, section 3 discusses the central methodology and research design. Next, section 4 highlight the study results and discussion, and in the end, section 5 concludes the results with a brief conclusion and implications and future avenues to explore.

2 Theoretical framework and hypothesis development

2.1 Concept overview

2.1.1 Corporate governance

CG is a vital safeguard tool for shareholders' interest and serves as a control for agency cost. It combines various management strategies and policies adapted to manage the organisation and the working employees to control and reduce agency costs. Furthermore, the firms that successfully establish a sound governance system can provide incentives to their board of directors and the related management team. Thus, as a result, appreciate their efforts. Due to this, there is an ultimate increase in the shareholders' wealth maximisation (Kowalewski et al., 2007).

The definition of CG tends to fall into the two most appropriate categories. The first one is associated with the behavioural pattern set. This set includes the actual behaviour of the corporation. The second category of CG explains the corporation's normative framework and involves the legal, financial, judicial system, and the factor markets to operate the firms (Claessens and Yurtoglu, 2013). The first one is the appropriate and logical choice to study the governance for a single country or the firms working within the country. It also involves the relationship between the labour policies and firm performance and the role of various organisation shareholders. The latter explains the differences that affect the firms' and investors' behavioural patterns.

2.1.2 Dividend policy

The dividend is the firms' earnings distribution to the shareholders, who have contributed their money to the business. The dividend paid to the shareholders depends upon the investment made in the business. The dividend policy monitors the dividend payment procedure. The policy enables the manager to decide the size and the pattern of the dividend distribution to the business's shareholders over the period (Roy, 2015). Right from the work of Black et al. (1976), dividend policy has remained a primary puzzle in corporate finance. It surrounds the signalling and agency issues of the organisations. When the managers refuse to take the shareholders' desired orders, the agency conflict arises between the two parties, inferring the agency cost, which ultimately becomes high based on the intensity of the agency issue.

Different theories have evolved to solve the dividend pay-out puzzle. The dividend irrelevance theory presented by Miller and Modigliani (1961) gave the view that dividend pay-out and its pattern do not affect the firm's value in any way. From this perspective, the dividend policy does not affect the firm's stock or its capital cost in the perfect market. The shareholder's wealth gets affected by the income generated by the investment's decisions and not by how the firm distributes that income as a dividend. Gordon (1959) bird-in-hand theory explains that business investors prefer the present-day cash rather than tomorrow's capital gain. According to the investors, the capital gains (losses) are uncertain in the future. Therefore, giving preference to the present day, the dividend is considered the wise option as it increases firm value. When there is an increase in the current dividend, it reduces the uncertainty of future cash flow. It states that the higher the pay-out ratio, low be the cost of capital, and thus, there will be an increase in the share value. Furthermore, Jensen and Meckling (1976) agency theory

worked on the manager and shareholder conflicts arising from diverging issues. It resolves the dividend pay-out and pattern issue among the two parties.

Spence (1973) signalling theory emphasised removing the information asymmetries between the managers and shareholders by providing reliable information about the organisation for future benefits. This can resolve the dividend pay-out and pattern issues to some extent. Lease et al. (1999) life-cycle theory of dividend pay-out and the pattern was further extended and applied by Fama and French (2001). According to this theory, the firms should devise a pay-out ratio and pattern that follows the organisation's business life cycle or work following it. Baker and Wurgler (2004) give rise to the catering theory for the dividend pay-out. According to catering theory, the dividend payment follows the needs and wants of the investors. It should also consider the determination of shareholders features and make the pay-out as per the features identified. It means that firms should pay the shareholders with low income earning a high dividend and shareholders with high-income earnings with low dividends. Lastly, the clientele effect theory states, 'there is no perfect capital market. The investors tend to face different dividend and capital gains tax rates, as they have different tax valuations for the same kind of asset.' According to Miller and Modigliani (1961), these differences led to dividend clienteles' formation. In the Dividend Clienteles, the business investors have tax-based preferences over the equities that differ only in their dividend policy.

2.2 Corporate governance quality and dividend pay-out

To develop a solid and competitive corporate sector, an organisation requires effective CG to pursue different business decisions regarding various aspects. For example, one important decision is about the dividend pay-out policy. Such vital decisions get their roots emerged from CG. In the literature, the agency conflict does explain the relationship between CG and dividend policy. Jensen (1986) agency theory explains that the arising agency cost due to the divergence of ownership and control can determine the dividend policy. The agency costs may encourage the managers to sometimes think of their interests, leaving behind the shareholders' motives. As a result, the managers may choose that dividend policy of their extreme interest providing ultimate benefits to them. Thus, the shareholders getting their proper interest means what they deserve in dividend payment or capital gains. According to la Porta et al. (2000), the wealth redistribution process in the form of the dividend payment can be facilitated by having a sound and suitable CG in the organisation. Renneboog and Szilagyi (2006) studied firms with restricted governance tend to pay smaller dividends. Michaely and Roberts (2006) studied private and public British companies compared to the British public companies that offer more robust protection to shareholders pay significant dividends compared to the private British companies with less protection.

Prior literature depicts CG elements' relation with the dividend policy, such as board structure, composition (often includes board independence, board duality, and board size), and ownership structures. By digging the empirical literature, we find, outsiders or the independent directors on board are more into making decisions favouring their well-being (Brickley et al., 1997; Weisbach, 1998). Moreover, outside directors' additional appointment on the company board influences the stock market (Rosenstein and Wyatt, 1990). Belden et al. (2005) studied that the agency cost tends to decrease due to non-executive directors' presence on the company board, thus increasing the dividend. From Setia-Atmaja et al. (2009) study, the independent directors seem to impact the board to

pay more dividends. An independent board positively influences the dividend pay-out size (Yarram and Dollery, 2015). However, some studies have also shown the opposite results of board independence and dividend pay-out (Boumosleh and Cline, 2015; Harris and Raviv, 2008; Sanan, 2019).

CEO duality, another element of CG, is associated with the board of directors' effectiveness. It calls for performing the functions and duties of both boards of directors and chief executive officers. It causes exploitation and leads to putting effects on the organisation's performance. Under such a situation, the dividend pay-out serves as the monitoring mechanism. The extant literature backs both the supporters and opponents in this regard. For example, Hu and Kumar (2004) and Ghosh and Sirmans (2006) found a positive association between the duality and dividend policy. On the other hand, the audit committee and CEO duality do not affect the dividend pay-out (Gong and Zhang, 2007). Pouraghajan et al. (2013) identify no impact between board size, independence and CEO duality with dividend policy.

Board size, a significant element of CG, also links with the dividend policy. Empirical pieces of evidence show positive (Subramaniam and Susela, 2011; Uwalomwa et al., 2015) and negative (Guest, 2009; Yermack, 1996) association between board size and dividend pay-out. The Director and CEO ownership is also evident in prior studies with the dividend pay-out policy, and most of the empirical studies revealed negative associations among the variables (Haye, 2014; Maury and Pajuste, 2002; Wen and Jia, 2010).

Other progressive CG practices have also been studied with dividend policy like the CEO tenure (Retirement age). This tenure means the number of years for which the CEO has attained its title. According to (Pan, 2009), the longer the tenure, the CEO's knowledge will operate the organisation. Like all the other corporate governance elements literature, here exits the supporters and opponents of the relationship between CEO tenure and dividend policy. Besides, they overcome the companies' difficulties, increasing profits and benefiting the shareholders (Fagerland and Nilsen, 2012; Abed et al., 2014). On the other hand, Contrawise, Boumosleh (2012) revealed a negative relationship between CEO tenure and dividend policy.

Reviewing the above stated theoretical and empirical literature shows that organisations can restrict and reduce agency issues by applying internal and external corporate governance. Therefore, there exists an ultimate link between CG and dividend policy. It relies on the notion that the decision-makers can be motivated by good corporate governance to follow an optimal dividend policy that maximises shareholders' wealth. Keeping in view all the considerations mentioned, we propose.

H1 CGQ has a significant impact on the firm's dividend policy.

2.3 Firm fundamentals as control

Prior studies report the relationship between firm fundamentals (profitability, solvency, leverage, firm activity and value) and dividend policy (DeAngelo et al., 2004; Amidu and Abor, 2006).

2.3.1 Profitability

Lintner (1956) conducted a study on the US firms found that the earnings made in the current year and the dividend payment made in the previous year influence the present year dividend payment pattern. Firms tend to pay high dividends when they have higher profits leading to a positive relationship with the profits and dividend policy (Aivazian and Booth., 2003; Amidu and Abor, 2006; Al-malkawi, 2008; Kumar and Sujit, 2018; Dixit et al., 2020). Contrariwise, some studies have identified a negative relationship (Dilawer, 2012; Gupta and Banga, 2010; Maldajian and El Khoury, 2014) and insignificant relationship (Mui and Mustapha, 2016) between profitability and dividend pay-out.

2.3.2 Leverage

The firm's financial structure lies based on the two sources of financing, debt and equity. The long-term financing of the firm is its capital structure. In contrast, leverage is the total financing made by external sources, primarily the debt. This debt financing may have an impact on the shareholder's equity increase. However, this debt financing is known to have risks as well. When the firm uses higher debt financing, it bounds itself to a fixed payment amount over the principal amount. Suppose the firms become unable to cover that amount; the ultimate result is liquidation. This risk associated with debt financing (leverage) causes the firm to pay fewer dividends. Thus, firms maintain the cash flows to pay their debt instead of paying dividends to their shareholders. Researchers find a mix of results while studying leverage and dividend pay-outs, such as Positive (Banerjee, 2016; Utami and Inanga, 2011), negative (Renneboog and Trojanowski, 2011; Patra et al., 2012) and insignificant (Mui and Mustapha, 2016).

2.3.3 Liquidity

The cash flow position is an essential determinant of the dividend policy. Whenever the firm faces a low liquidity position, it has less dividend payment to its shareholders. On the other hand, a firm with a greater liquidity level follows a stable cash flow and has more ability to pay a dividend. This is because the dividend relies on the cash flows rather than the firm's current earnings, which generally do not have the firm's ability to pay a dividend. Whenever the firm faces the developmental and growth phases, it may not maintain its liquidity as most of its cash flow becomes permanent working capital and fixed assets. To provide a cushion against uncertainty, the firm usually desires to maintain a certain level of liquidity. The firm then prevents itself from paying any dividend to the shareholders (Alli et al.,1993).

Amidu and Abor (2006) argue that one of the crucial determinants of dividend pay-outs is liquidity. The less liquid firms are the less dividend they pay to the shareholders. They found a positive relationship between the two variables. Other researchers find the same positive results in different economic settings (la Porta et al., 2000; Jakob and Johannes, 2008; Patra et al., 2012). According to Jensen (1986), when a firm is high on liquidity, it can use that fund to invest in all the projects with a positive net present value discounted at the relative cost of capital. However, there may be possibilities that the managers might misuse this excess fund. The funds can either be used for their interest or invest in unprofitable projects. Al-malkawi (2008) states that the excess cash available to the firm can lead to conflicts between the principal and agents if misused by the

management. Thus, it can lead to agency conflict. The dividend distribution could resolve this problem (Moradi et al., 2012). Moreover, Mui and Mustapha (2016) also showed a significant relationship between liquidity and dividend. Liu and Hu (2005) argued that liquidity is irrelevant to the dividend payment.

2.3.4 Firm size

Firm size has also been used as a proxy for a range of theoretical constructs (Ejaz et al., 2022). From the general perspective, large firms are more open to the capital market as they can raise funds with minimum cost than small firms (Al-malkawi, 2008). Prior studies (Rafique, 2012; Arshad et al., 2013; Malik et al., 2013; Kumar and Sujit, 2018; Dixit et al., 2020) have found a positive relationship between firm size and dividend pay-out. While some have found negative associations (Farinha, 2003; Kowalewski et al., 2007). Hence, the above literature provides the necessary evidence to develop the firm's size and dividend pay-out relationship.

3 Methodology

We examine the Asian Emerging Market perspective of CGQ on dividend policy. We explore the non-financial markets of China, India, and Pakistan for 2009-2019. We base the sample on 100 non-financial companies listed in their respective stock exchanges (Bombay Stock Exchange, Shanghai Stock Exchange & Pakistan Stock Exchange). The companies' selection in the sample relies on their market capitalisation, trading for 30 weeks or more in their respective markets (Jin and Myers, 2006), and the availability of financial statements and governance reports.

3.1 Measurements

3.1.1 Corporate governance quality

Instead of relying on any single measure to gauge CG, we consider the governance index developed by (Chung et al., 2010), consisting of 24 governance standards distributed in six main categories. Researchers developed this index using the Institutional Shareholder Service (ISS) data with the 51 governance standards in eight categories. This particular index has been considered in the present study as it is much closer to the firm's financial and operational transparency (Chung et al., 2010). The selected index of CGQ having 24 standards give more related answers to research on the firm's financial activities. Therefore, we assign one point to each standard, just like the coding method used by Brown and Caylor (2006) for their index. Out of these 54 governance items, board of directors, ownership status, and progressive practices were included in this study. Chinese and Indian firms provided limited information about their compensation practices, auditing practices, the state of business and the tactics used by a business. Specifically, in the case of China, the Governance report is not published by a major firm. In most cases, the financial reports were in English, and the governance and policy section was published in mandarin. Further, detailed information is not provided, thus based on available information index was structured, and 16 items were used in the present study in 3 categories.

3.2 Dividend policy

We applied the dividend pay-out ratio (Cash dividend per share/ Earnings after tax per share) to gauge the dividend policy (Afzal and Saba, 2011; Al-malkawi, 2008; Roy, 2015).

3.3. Firm fundamentals

We used different proxies to measure firm fundamentals (profitability, solvency, leverage, and firm size). These firm fundamentals are firm-specific based. The proxy used to measure the firm's profitability is the return on assets (Amidu and Abor, 2006). Liquidity measures the firm's ability to meet short-term financial obligations. Liquidity is measured with the current ratio and the quick ratio. This study has incorporated a quick ratio (quick assets / total current liabilities) as it provides transparent information about the actual liquidity state of the firm (Amidu and Abor, 2006). Leverage explains that by what amount the firm relies on debt financing rather than equity. The proxy for leverage is the debt ratio (total debt / total equity) (Roy, 2015). Finally, we used the log of total assets (Arshad et al., 2013; Maldajian and El Khoury, 2014).

3.4 Econometric model

$$DPO_{i,t} = \beta_0 + \beta_1 CGQ_{i,t} + \beta_2 ROA_{i,t} + \beta_3 lev_{i,t} + \beta_4 QR_i + \beta_5 S_{i,t} + €_{i,t}$$

where,

DPO ‘dividend pay-out’

CGQ ‘corporate governance quality’

LEV ‘leverage’

QR ‘quick ratio’

S ‘firm size’

ROA ‘return on assets’ (performance)

4 Results and discussion

Table 1 indicates the mean, standard deviation and correlation analysis for China, India and Pakistan. For China, the average corporate governance quality index score is 0.438, with a deviation of 0.245. Also, the average dividend pay-out of Chinese firms is 0.389 with 0.262 deviation. The average corporate governance quality index score for Indian firms is 0.384 with 0.152 deviation. Similarly, we have found that Pakistani firms' average corporate governance quality index is 0.52 with 0.214 deviation. The DPO average in Pakistan is 0.397, higher than Chinese and Indian firms.

Table 1 Correlation analysis

		Mean	*Std.*	*1*	*2*	*3*	*4*	*5*	*6*
Panel A: China									
1	CCG	0.483	0.245	1					
2	LEV	0.250	0.214	0.181*	1				
3	QR	0.161	0.159	–0.08	–0.254	1			
4	S	3.780	1.139	0.081	0.041	0.029	1		
5	ROA	0.252	0.235	0.231**	–0.082	0.032	0.187	1	
6	DPO	0.389	0.262	0.289**	0.121*	–0.071	0.168	0.137	1
Panel B: India									
		Mean	*Std.*	*1*	*2*	*3*	*4*	*5*	*6*
1	CCG	0.384	0.152	1					
2	LEV	0.287	0.181	–0.137	1				
3	QR	0.171	0.11	–0.0947	–0.064	1			
4	S	3.251	1.12	–0.182	0.084	–0.069	1		
5	ROA	0.352	0.267	–0.042	–0.093	–0.015	0.087	1	
6	DPO	0.389	0.176	–0.261**	0.157	–0.214	0.180*	–0.172*	1
Panel C: Pakistan									
		Mean	*Std.*	*1*	*2*	*3*	*4*	*5*	*6*
1	CCG	0.522	0.214	1					
2	LEV	0.873	0.148	0.153	1				
3	QR	0.663	0.160	0.043	–0.032	1			
4	S	4.002	1.179	0.182**	0.084*	0.191**	1		
5	ROA	0.623	0.325	0.042	–0.0008	0.02	0.112*	1	
6	DPO	0.397	0.223	0.146**	0.357**	0.014	0.280**	0.137**	1

Notes: Where, ‘CCG’ = ‘corporate governance quality’, ‘LEV’ = ‘leverage’, ‘QR’ = quick ratio’, ‘S’ = ‘size’, ‘ROA’ = ‘return on asset’, ‘DPO’ = ‘dividend pay-out’.

Further, the correlation analysis indicates that corporate governance quality has a significant positive correlation with dividend pay-out in the case of China and Pakistan ($r = 0.289$, $p < 0.01$, $r = 0.146$, $p < 0.01$) as reported in Table 1. Whereas in the case of India, we observe a correlation between corporate governance quality and dividend pay-out ($r = –0.261$, $p < 0.01$). Moreover, we performed fixed effect panel data analysis based on the Hausman test as reported in Table 2. The panel regression tests the relationship between CGQ and dividend pay-out in emerging markets, namely China, India, and Pakistan. The panel fixed effect regression outcomes indicates that the model is significant and have appropriate predictive power for all three markets. In the case of Chinese non-financial firms, there is a significant positive relationship between CGQ and dividend pay-out ($\beta = 0.187$, $p < 0.01$), indicating a positive governance system in the case of China. This means there is a one-unit increase in Chinese corporate governance quality than an increase of dividend pay-out by 0.187.

Similarly, control variables such as performance, leverage and firm size have a significant positive relationship with dividend pay-out. However, in the case of Indian non-financial firms, we have observed an inverse relationship between corporate governance quality and dividend pay-out (β = –0.201, $p < 0.01$)., meaning higher corporate governance quality lowers the dividend pay-out. Additionally, we have observed a positive relationship between corporate governance quality and dividend pay-out in the case of Pakistan (β = 0.326, $p < 0.01$)., which means if one unit of increase is made in governance system quality, there would be an increase of 0.326 in dividend pay-out.

Table 2 Panel regression analysis

	China		*India*		*Pakistan*	
CGQ		0.187**		–0.201**		0.326**
		(0.094)		(0.099)		(0.161)
Control variables						
ROA	0.153**	0.121**	–0.271**	–0.261	0.298**	0.271**
	(0.049)	(0.051)	(0.117)	(0.119)	(0.161)	(0.112
LEV	0.289**	0.386**	–0.212	–0.001	0.476**	0.562**
	(0.122)	(0.128)	(0.126)	(0.130)	(0.240)	(0.262)
QR	–0.061	–0.062	–0.001	–0.451	0.069	0.076
	(0.045)	(0.052)	(0.020)	(0.024)	(0.045)	(0.048)
S	0.481**	0.488**	–0.450	0.039	0.412**	0.488**
	(0.242)	(0.246)	0.023	(0.024)	(0.028)	(0.031)
Constant	0.139**	0.158**	0.501**	0.5280**	0.406**	0.431**
	(0.069)	(0.073)	(0.160)	(0.161)	(0.204)	(0.216)
R-squared	0.353	0.392	0.192	0.292	0.402	0.422
Adjusted r-squared	0.303	0.357	0.178	0.208	0.383	0.408
Durbin-Watson stat	1.64	1.78	1.77	1.84	1.82	1.90
Hausman test	Yes	Yes	Yes	Yes	Yes	Yes

Notes: Where, 'CCG' = 'corporate governance quality', 'LEV' = 'leverage', 'QR' = quick ratio', 'S' = 'size', 'ROA' = 'return on asset', 'DPO' = 'dividend pay-out'.

We compare the potential impact of corporate governance quality (CGQ) on dividend pay behaviour in Chinese, Indian, and Pakistani firms. In the light of results, CGQ has a significant positive impact on dividend pay-out in China and Pakistan, which means hypothesis 1 is supported and aligns with Abed et al. (2014) and Yarram and Dollery (2015). Also, Boumosleh (2012) reported a significant relationship between the CG factors and dividend policy. It is widely known that to develop a strong and competitive corporate sector, organisations require effective corporate governance. The organisations pursuing different businesses have to make different decisions regarding different aspects. Out of those, one important decision is about the dividend pay-out policy. The decision must be taken out of the profits earned, how much is to be distributed among the organisation's shareholders, and how much is to be retained for future projects. Such

important decisions get their roots emerged from corporate governance. So, a strong governance structure is important, and by quality, maintaining sustainable firm performance and governance mechanisms can be achieved. However, in the case of India, there is a significant inverse difference between dividend patterns in the presence of high or low governance at the firm level; it may be because dividend payment decision is interlinked with firm expansion and reinvestment decision.

5 Conclusions, implications, limitations, and future avenues

In conclusion, to build a future debate on how CG and firm financials' combined attributes collectively influence dividend pay-out on non-financial sectors of Pakistan, India, and China. We first questioned, 'What is the impact of corporate governance quality (CGQ) on the dividend policy of non-financial sector firms? Second, we explored the non-financial markets of China, India and Pakistan for 2009–2019. We base the sample on 100 non-financial companies listed in their respective stock exchanges (Bombay stock exchange, shanghai stock exchange and Pakistan stock exchange). We find that CGQ is relevant to dividend pay-out decisions and the dividend pay-out pattern and governance quality pattern vary from country to country. With the applied empirical analysis, we reached conclusive answers. First, CGQ serves as a high indicator deciding the retention or suspension of firm excess funds as dividend pay-outs. Second, the firm fundamentals (the financial aspects) as controls actively play their part in efficiently enabling the boards to reach the pay-out decision.

From a practical perspective, this study helps practitioners, policymakers, and regulators identify the critical factors of corporate governance and firm fundamentals that impact dividend policy while entering these emerging markets. Moreover, they can also establish more comparisons with the rest of emerging countries using the present and prior studies. It can also help practitioners improve the rules and procedures of governance in particular markets, which allows investors to look at the best possible investments in the countries. Furthermore, for individual investors who are willing to gain more cash dividends, the study would have a significant impact as they can analyse how much the governance conduct affects the dividend pay-out procedure. Finally, from the firm perspective, the study enables the firm management to look out the factors more likely to cause a disturbance on the dividends and make the best possible improvements to have a good impact. Although, like all studies, our study also has some limitations: the sample. We have used the sample of China, India and Pakistan. Future studies can include more emerging countries better to understand corporate governance quality impact on dividend pay-out. Also, future studies can use a sector-wise sample to capture industry variation rather than selecting the top 100 indexed firms. Also, since new developments in the business process, regulations, and governance protocols, firms across the globe are considering other important ones likely to impact firm financial decisions, especially pay-outs and cash retention. Therefore, we encourage the researchers to conduct future research to apply other industrial factors such as industrial competitions, industrial growth, regulations, cultural attributes, and modern sustainable practices.

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