



The Impact of Governance Mechanisms on the Dividend Distribution Policy of Algerian Banks.

تأثير آليات الحوكمة على سياسة توزيع الأرباح في البنوك الجزائرية.

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ABSTRACT

This study examines The Impact of Governance Mechanisms on the Dividend Distribution Policy of Algerian Banks. using a panel data model for a sample of 15 banks during the period 2010–2019. The results indicate that an increase in board size and meeting frequency significantly improves the level of dividend distribution. Conversely, CEO duality, higher board independence, and ownership concentration are all associated with a reduction in dividend payouts. The findings also reveal a positive relationship between bank size and the amount of dividends distributed, while a higher level of financial leverage negatively affects the distribution policy. Notably, profitability did not show a statistically significant effect on dividend decisions in the study sample. **Keywords:** Governance, Board of Directors, Ownership Structure, Dividends, Algerian Banks.

JEL Classification: G34, G21, G35

الملخص

تتجيز هذه الدراسة على تحليل تأثير آليات الحوكمة على سياسة توزيع الأرباح لدى البنوك الجزائرية، وذلك بالاعتماد على نموذج بيانات البانل لعينة مكونة من 15 بنكاً خلال الفترة 2010–2019. وتشير النتائج إلى أن زيادة حجم مجلس الإدارة وتكثيف اجتماعاته تحسّن بشكل ملحوظ من مستوى توزيع الأرباح. في المقابل، فإن ازدواجية منصب الرئيس التنفيذي، وارتفاع استقلالية المجلس، وتركيز الملكية، ترتبط جميعها بانخفاض حجم التوزيعات. كما تظهر النتائج ارتباطاً إيجابياً بين حجم البنك وقيمة الأرباح الموزعة، في حين يؤثر ارتفاع مستوى الرفع المالي سلباً على سياسة التوزيع. ويُلاحظ أن الربحية لم تُظهر أثراً ذا دلالة إحصائية على قرارات توزيع الأرباح في عينة البحث.

الكلمات المفتاحية : حوكمة، مجلس إدارة، هيكل الملكية، أرباح، بنوك جزائرية.

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1. Introduction

Dividend policy is one of the most important issues in financial management and has received sustained attention from researchers. It is classified among the most critical financial decisions, alongside investment and financing decisions, forming the decision-making triangle of financial management.

Dividend distribution decisions directly contribute to achieving the primary objective of investors, which is to maximize the return on their investments. However, the desire to meet shareholders' expectations through dividend payments may conflict with the firm's internal objectives, particularly the need to maintain a sufficient level of liquidity to finance investment and growth projects. This divergence of interests gives rise to the agency problem, which occurs when managers make decisions that serve their own interests at the expense of shareholders due to the information asymmetry between the two parties (Jensen & Meckling, 1976).

Given the recurring nature of these issues, the adoption of effective governance mechanisms and well-designed ownership structures emerges as a crucial lever for guiding dividend distribution policies. Such policies, which constitute an explicit decision of the board of directors, aim to balance managerial discretion with the protection of shareholders' rights. This issue is firmly embedded within the analytical framework of agency theory and continues to stimulate academic debate.

Although the link between corporate governance and dividend policy has been widely investigated in non-financial firms, it remains relatively underexplored in highly regulated sectors, particularly the banking industry. In this context, prudential and regulatory constraints confer a distinctive character on dividend distribution decisions. Regarding Algeria, empirical research on this subject is still scarce, which positions the present study as a pioneering contribution examining this relationship from a sector-specific perspective.

In Algeria, banks play a fundamental role in national development by managing deposits and extending credit. Public and private banks therefore seek to strike a balance between supporting local investment, ensuring financial stability, and providing fair dividend distributions to shareholders. However, specific governance challenges, such as the lack of a clear separation between ownership and management in public banks and the limited independence of their boards of directors, may hinder the effectiveness of decision-making. This situation reinforces the need for the Algerian banking sector to enhance transparency and strengthen risk management practices, particularly in an environment dominated by public ownership.

The objective of this study is to empirically analyze the impact of governance mechanisms on the dividend distribution policies of Algerian banks. To this end, a sample of 15 banks operating in Algeria is examined over a ten-year period from 2010 to 2019. The empirical analysis is based on the estimation of a linear regression model applied to panel data, allowing for the consideration of both the temporal and individual dimensions of the observations.

The remainder of the article is structured as follows. The first section is devoted to a review of the theoretical and empirical literature on banking governance mechanisms and dividend distribution policies. The second section presents the research methodology, specifying the analytical framework, data sources, and econometric methods employed. The final section reports and discusses the empirical findings, concluding with a synthesis of the main contributions and implications of the study.

2. Literature Review and Formulation of the Study Hypotheses.

In recent decades, researchers have increasingly focused on dividend distribution policies, as various theoretical frameworks have sought to decode the factors driving corporate decisions in this regard. Among these theories, signaling theory occupies a prominent position, as it assumes that

cash distribution decisions convey crucial information from management to the market regarding the firm's future financial health, thereby helping to reduce information asymmetry among stakeholders (Bhattacharya, 1979).

In contrast, agency theory views dividend policy as a mechanism for monitoring and governance, used to lower agency costs arising from conflicts of interest between management and owners. This is achieved through the distribution of cash surpluses, which limits the inefficient use of resources by managers and subjects such decisions to continuous oversight, particularly when external financing is sought (Easterbrook, 1984; Jensen, 1986).

Beyond dividend distribution, sound corporate governance plays a key role in mitigating agency conflicts, given its central function in protecting shareholders' rights and regulating managerial behavior through oversight mechanisms, foremost among which is an effective board of directors (La Porta et al., 2000; Shleifer & Vishny, 1986).

In this theoretical context, dividend policy emerges as the outcome of a set of internal mechanisms aimed at guiding managerial decisions and aligning the interests of various stakeholders. Among these mechanisms are the characteristics of the board of directors and the ownership structure.

2.1. The relationship between the characteristics of the board of directors and the dividend distribution policy.

- **The size of the board of directors.**

Board size has received significant research attention as one of the key determinants of dividend policy. It is assumed that its monitoring effectiveness increases with its larger composition, which enriches the available knowledge and expertise base and improves the oversight mechanism of executive decisions (John & Senbet, 1998). A series of empirical studies have demonstrated a positive correlation between a larger board and cash distribution rates (Bokpin, 2011; Mansourinia et al., 2013; Al-

Kahmisi & Hassan, 2018; Tahir et al., 2020; Juhmani, 2020; Mai & Syarif, 2021). In contrast, other studies have recorded conflicting results indicating an inverse effect, suggesting that dividend distributions may be negatively affected by a larger board size (Ghasemi et al., 2013), due to complexities in the internal coordination process. This proposition aligns with the theoretical framework of the agency problem (Fama & Jensen, 1983; Jensen, 1993).

H1a: There is a positive relationship between the size of the board of directors and the distribution of dividends.

board independence.

Independent non-executive directors enhance board effectiveness through their supervisory role in safeguarding shareholder interests and ensuring transparency in executive decisions (Fama & Jensen, 1983; Gregory, 2000). Empirical research, including studies by Alias et al. (2016), Hussain et al. (2020), Hu and Kumar (2004), and Imama et al. (2019), demonstrates a positive correlation between board independence and dividend payouts. Conversely, other studies supporting the "substitution hypothesis" find an inverse relationship between board independence and dividend distributions (Borokhovich et al., 2005; Al-Najjar & Hussainey, 2009; Elmagrhi et al., 2017). These results suggest that firms with weaker governance may use dividend policies as an alternative reputational mechanism, while those with stronger governance structures may rely less on dividends for signaling purposes (Al-Najjar & Hussainey, 2009).

H1b: The proportion of independent directors has a positive effect on dividend distribution policy.

- **The duality of the director.**

The combination of the roles of Chief Executive Officer (CEO) and Chairperson of the Board of Directors gives rise to agency problems due to the weakened monitoring capacity of the board over executive management. The concentration of power in the hands of a single individual provides

opportunities to pursue personal interests at the expense of shareholders (Jensen, 1993; Fama & Jensen, 1983; Al-Kahmisi & Hassan, 2021). The financial literature emphasizes the significant impact of this leadership duality on dividend policy, as confirmed by the studies of Chen and Li (2005) and Zhang (2008), which examined 799 listed Chinese firms over the period 1995–2004 and found a negative relationship between dividend distributions and role duality. These findings are consistent with the results reported by Al Farooque et al. (2021) and Boshnak (2021), and support agency theory.

H1c: There is a negative relationship between CEO duality and dividend distribution policy.

- **the frequency of board meetings**

In addition to the structural characteristics of the board of directors, some studies indicate that increasing the frequency of board meetings enhances the effectiveness of governance mechanisms. This is achieved by improving transparency levels and ensuring regular monitoring of executive performance, which helps alleviate agency conflicts between management and investors (Grove & al, 2011). Empirical studies, such as those by Riaz and Ahmad (2016) on Pakistani companies, as well as studies by Al-Shabibi et al. (2021) and Boshnak (2021), have supported this hypothesis. They demonstrated a positive relationship between meeting frequency and dividend distribution policy, confirming that regular meetings improve decision-making quality and protect shareholder interests. Conversely, other studies (Benjamin & Mat Zain, 2015; Elmagrhi et al., 2017) indicate a reverse effect, explaining that cash dividends are used as a compensatory substitute for weakened managerial monitoring mechanisms in cases where the frequency of board meetings increases significantly

H1d: There is a positive relationship between the frequency of board meetings and dividends paid.

2.2. The relationship between ownership structure and dividend distribution policy

Previous research has analyzed the impact of ownership concentration, as one of the internal corporate monitoring mechanisms, on dividend distribution policies, yielding heterogeneous conclusions. On one hand, several studies supported the idea that ownership concentration helps reduce agency problems and enhances supervisory efficiency, thereby positively influencing dividend distribution decisions (Thanatawee, 2014; La Porta et al., 2000). On the other hand, other studies found a negative relationship between high levels of ownership concentration and dividend payout ratios, attributing this result to the exploitative practices that controlling shareholders may engage in. These large shareholders often prefer that the company retain earnings to achieve personal benefits at the expense of minority shareholders' rights, a phenomenon particularly noticeable in banking institutions operating in environments characterized by weak regulatory frameworks and governance mechanisms, as highlighted by Maniagi et al. (2013), Chertel et al. (2020), and Sbai et al. (2024).

H2: Ownership concentration has a negative impact on dividend distribution.

2.3. Control Variables.

- **Profitability**

Most research indicates a positive relationship between a company's profitability and its dividend distribution policy, supported by theoretical frameworks such as the Pecking Order Theory (Myers and Majluf, 1984), which explains that profitable firms enjoy greater financing capacity, enabling them to distribute generous dividends. This is evident in the works of researchers such as (Gupta & Walker, 1975), Amidu & Abor (2006), (Kasozi & Ngwenya, 2015), as well as (Allal & Benilles, 2020). However, some studies have found a negative relationship between profitability and

dividend distribution policy, such as the study by Yakubu (2019) and the study by Maladjian & Khoury (2014).

H3a: There is a positive relationship between the bank's profitability and the dividends paid.

- **Bank Size**

In general, large firms tend to pay higher dividends, thanks to the stability of their earnings. Researchers have established a positive relationship between bank size and the amount of dividends paid (Mercado-Mendez and Willey, 1995; Maladjian and El Khoury, 2014; Al-Malkawi, 2007). This is often explained by the fact that large banks have easy access to financial markets and therefore maintain a more generous earnings distribution policy. In this context, we formulate the following hypothesis:

H3b: Bank size has a positive impact on dividend distribution policy.

- **Capital Structure**

Rozeff (1982) posits that firms facing substantial debt are inclined to curtail dividend payouts as a strategy to mitigate the expenses linked to securing external funding. Many empirical studies confirm this negative relationship. Thus, Al-Kuwari (2009) in the context of Gulf countries, Lee (2009) for Korean banks, and Yusuf (2015) show that highly indebted banks prioritize managing their financial obligations and repaying their debts over redistributing profits. Other studies have found a positive effect of debt on profit distribution, notably those by Yarram and Dollery (2014) and Allal and Benilles (2020), due to the tax benefits associated with debt financing.

H3c: There is a negative relationship between the capital structure of banks and dividend distribution.

3. Empirical study.

The objective of this section is to present the adopted methodological approach by describing both the selected sample and the variables analyzed in the framework of our study.

3.1. Presentation of the Sample.

The sample for this study consists of fifteen (15) commercial banks operating in Algeria, selected to represent the two components of the national banking sector, namely public banks and private banks. More specifically, the sample includes six (6) public banks and nine (9) private banks, observed over a ten (10) year period from 2010 to 2019.

Table N°1: List of Banks in the Sample

Public Banks	BADR, BNA, BEA, BDL, CPA, CNEP
Private Banks	ABC, AGB, BNP, SGA, Trust Bank, Fransa Bank, Housing Bank, Natixis et Al Baraka Bank

Source: Compiled by the author based on the annual reports of the Bank of Algeria.

3.2. Data Collection and Sources.

The data used in this research come from multiple sources. Financial information was collected from the analysis of the annual financial statements and income statements of the studied banks. These documents were obtained from the National Center of the Trade Register (CNRC) and supplemented by information available on the official websites of the relevant banking institutions.

Data related to internal banking governance mechanisms, particularly those concerning board of directors' characteristics and ownership structure, were gathered through direct communication with the banks in the sample.

3.3. Model variables' determination.

To present the model's variables, it is necessary to distinguish between the dependent variable and the independent variables in the empirical study.

- **Dependent Variable.**

It is the Dividend Payout Ratio (DPR), which represents the portion of the company's profits distributed to shareholders as a reward for their contribution to the capital. It is calculated using the standard method as follows:

$$DPR = \frac{\textit{Dividends Paid}}{(\textit{Net Profit for the Period} + \textit{Retained Earnings})}$$

- **Independent Variables:**

The independent variables of the model include governance-related variables, namely board characteristics, ownership structure, and control variables, as presented in the table below.

Table No. 2: Measurement of Explanatory Variables

Variables	Abbreviation	Calculation	Source
Governance Variables.			
Board Size	BSIZE	The number of members (directors) on the bank's board of directors	Juhmani, 2020
Board Independence	INDEP	Number of independent board members / total number of board members	Vernier et al., (2018)
CEO Duality	DUAL	1 if the CEO is also the Chairperson of the Board, 0 otherwise	Al-Khamisi & Hassan, 2018
Board Meeting	FREQ	Number of board meetings during the year	Alshabibi et al., (2021)
Ownership Concentration	OWNC	Percentage of capital held by the majority shareholder	Sbai et al., (2024)
Control Variables.			
Profitability	ROE	Net Income / Shareholders' Equity	Daradkah et Ajlouni (2013)
Capital Structure	LEV	Total Debt/ Shareholders' Equity	Mardani (2022)
Bank Size	Size	Log (Total Assets)	Al-Malkawi (2007)

Source: Prepared by the authors based on the literature review.

3.4. Model Specification.

This study aims to analyze the effect of governance mechanisms on dividend distribution decisions. To achieve this, an econometric methodology based on panel data regression analysis is employed.

Before estimating the parameters of each factor under study, it is necessary to first define the model that we propose to analyze and interpret. Its formulation is presented below.

$$DRP = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 INDEP_{it} + \beta_3 DUAL_{it} + \beta_4 FREQ_{it} + \beta_5 OWNC_{it} + \beta_6 ROE_{it} + \beta_7 SIZE_{it} + \beta_8 LEV_{it} + \varepsilon_{it}$$

3.5. Descriptive Analysis.

Before proceeding with the estimation of the model's parameters, it is first necessary to present the descriptive statistics, which is an essential preliminary step for the empirical analysis.

- **Statistiques descriptives des variables.**

The table below presents the descriptive statistics of the variables used in this study.

Table No. 3: Descriptive Statistics of the Model Variables.

Variables	Obs	Mean	Sd	Min	Max
DRP	150	0.3280	0.3853	0	3.76186
BSIZE	150	7.1933	1.6083	5	11
INDEP	150	0.1145	0.1530	0	0.4
FREQ	150	6.8666	1.9444	2	12
OWNC	150	0.8380	0.2022	0.376	1
ROE	150	0.1309	0.0713	-0.025357	0.3474
TAILLE	150	26.39716	1.500666	23.6314	28.928
LEV	150	7.279709	4.727758	0.5204213	22.75704

Source: Based on statistical processing using STATA 13.0 software.

The results of this table show that, on average, the banks in the sample distribute 0.3280 of their undistributed profits as dividends over the studied period. The standard deviation, also 0.3853, indicates high variability, confirmed by the range of observed values, which spans from a minimum of 0 to a maximum of 3.76186.

The analysis highlights that the average size of the boards of directors of the banks in the sample is 7.19 members, a figure considered adequate as it is

neither excessive nor limited. The standard deviation of 1.60 reflects low dispersion around this mean. Moreover, the average independence of directors remains very limited (0.1145), with a maximum level not exceeding 0.4, which underscores a significant gap compared to international governance standards.

Regarding the frequency of meetings, the observed average is 6.87 per year, reflecting a regular schedule and indicating the directors' active involvement in monitoring and governance of the banks. Finally, ownership concentration ranges from 37.60% to 100%, the latter value being characteristic of public banks whose ownership is entirely concentrated in the exclusive interest of the state

- **Correlation matrix.**

To deepen the analysis, the table below presents the correlation matrix of all pairs of variables in the study. This overview notably allows for checking the absence of multicollinearity among the explanatory variables.

Table No. 4: Correlation Matrix of the Regression Variables

	DRP	BSIZE	INDEP	DUAL	FREQ	OWNC	ROE	SIZE	IEV
DRP	1.000								
BSIZE	0.081	1.000							
INDEP	-0.024	-0.116	1.000						
DUAL	-0.181*	0.128	-0.587*	1.000					
FREQ	0.216*	0.124	0.0703	0.224*	1.000				
OWNC	-0.275*	0.357*	-0.588*	0.629*	-0.098	1.000			
ROE	0.169*	0.337*	0.0214	-0.147	-0.032	-0.022	1.000		
SIZE	-0.091	0.333*	-0.633*	0.841*	0.115	0.707*	0.115	1.000	
LEV	-0.145	0.347*	-0.488*	0.668*	0.024	0.573*	0.097	0.722*	1.000

Source: Based on statistical processing using STATA 13.0 software

Table No. 4 highlights that the Dividend Payout Ratio (DRP) is negatively and significantly correlated with CEO duality (DUAL) and ownership

concentration (OWNC), while it shows a positive and significant correlation with the frequency of meetings (FREQ) and financial profitability (ROE). In contrast, its relationships with board size (BSIZE) and capital structure (LEV) appear weak and non-significant.

Furthermore, bank size (SIZE) is positively correlated with several governance mechanisms (BSIZE, FREQ, OWNC, DUAL) but negatively associated with independence (INDEP). Finally, a positive and significant correlation is observed between bank size and capital structure (LEV), confirming that larger banks rely more on leverage.

The examination of the correlation matrix reveals a coefficient of 84.74% between the variables BSIZE and DUAL, exceeding the 80% tolerance threshold (Gujarati, 2003), which suggests a potential risk of multicollinearity. To verify and precisely quantify this risk, a Variance Inflation Factor (VIF) test was conducted. The results of this test are presented in the table below.

Table No. 5: Multicollinearity of Model Variables (VIF)

Variable	VIF	1/VIF
SIZE	5,99	0.167022
DUAL	5,37	0.186087
OWNC	2,6	0.384983
LEV	2,35	0.426160
INDEP	1,89	0.528547
BSIZE	1,58	0.634621
ROE	1,39	0.717416
FREQ	1,31	0.765916
Mean VIF	2.81	

Source: Based on statistical processing using STATA 13.0 software.

According to the test results, all VIF values are below 10, with a maximum VIF of 5.99 and an average VIF of 2.81. These results indicate the absence of multicollinearity among the explanatory variables of the model. Therefore, it can be concluded that each variable provides unique and non-redundant information relative to the others.

3.6. Analysis and Interpretation of Results:

The validation of the underlying hypotheses for panel data regression requires strict adherence to a sequence of econometric steps to ensure the robustness of the results, particularly with regard to model specification.

First, it is necessary to identify and characterize the individual effects specific to each entity observed repeatedly over time. This step is performed using the Fisher test. The results indicate the significant presence of individual effects ($\text{Prob} > F = 0.0132$), confirmed by a probability below the conventional 5% threshold.

Next, the choice between a fixed-effects and a random-effects specification was made using the Hausman test. The associated probability of 0.0179, which is below the 5% threshold, leads to the rejection of the null hypothesis and justifies the adoption of a fixed-effects model.

Finally, additional tests were conducted to detect potential problems of error autocorrelation and heteroskedasticity. The Wooldridge test confirms the existence of autocorrelation in the residuals. Moreover, the heteroskedasticity test rejects the null hypothesis of homoscedasticity ($\text{Prob} > \chi^2 = 0.0000$), thereby indicating the presence of non-constant residual variances.

To address potential heteroskedasticity and autocorrelation issues inherent in panel data, the Panel-Corrected Standard Errors (PCSE) method, developed by Beck and Katz (1995), was employed. This method is particularly suitable for obtaining robust variance estimators in the case of micro-panels, as is the case in our study. The table below presents the results

of the multivariate regression, estimated on a sample of 150 bank-year observations.

Table No.5: Results of the Multivariate Analysis of the model.

Linear regression, correlated panels corrected standard errors (PCSEs)		
TDD	Coef.	P>z
DRP	0.0315597	0.039**
BSIZE	-0.9052096	0.062*
INDEP	-0.2693803	0.012**
FREQ	0.0463721	0.000***
OWNC	-0.8060327	0.057*
ROE	0.3266983	0.479
SIZE	0.0655681	0.058*
LEV	-0.0074777	0.096*
_cons	-1.054192	0.335
R-squared		0.2493
Wald chi2		237.48
Prob>chi2		0.0000***
Obs		150

[***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.]

Source: Based on statistical processing using STATA 13.0 software.

The estimation results indicate an adjusted coefficient of determination (adjusted R²) of 24.93%, meaning that the eight explanatory variables of the model (BSIZE, DRP, INDEP, FREQ, OWNC, ROE, LEV, and TAILLE) explain 24.93% of the variation in the dividend distribution policy. The remaining 75.07% is attributable to factors not captured by the model. Moreover, the Wald Chi² test confirms that the model is overall significant at the 1% level, thereby attesting to the robustness of the obtained results.

The analysis of variable significance reveals that the influence on dividend payments is statistically confirmed for seven of the eight variables examined. The variables BSIZE, INDEP, DRP, FREQ, OWNC, LEV, and SIZE have a significant impact, whereas ROE is not significant. Therefore, the results can be summarized as follows:

First, board size has a positive and statistically significant effect at the 5% level on dividend payments. This positive effect can be explained by the fact that the diversity of experiences provided by a larger board improves the efficiency and quality of decisions, resulting in more generous dividend distributions. Indeed, this result aligns with the findings of Mansourinia et al. (2013), Tahir et al. (2020), and Mai and Syarief (2021), and empirically validates hypothesis (H1a) of our study.

Furthermore, the analysis reveals a negative and statistically significant relationship at the 10% level between board independence and dividend distribution. This relationship reflects the monitoring role of external directors, who tend to limit excessive dividend payments to preserve the bank's financial stability. This observation is consistent with the studies of Bathala and Rao (1995), Borokhovich et al. (2005), Vernier (2018), Juhmani (2020), and Nazar (2021), leading to the rejection of hypothesis H1b.

The examination of CEO duality also shows a negative and statistically significant effect at the 5% level, indicating a negative relationship with dividend distribution policy. This result is consistent with the findings of Farooque et al. (2021), Zhang (2008), Mahdi et al. (2017), and Al-Kahmisi & Hassan (2018), who interpreted it as an illustration of agency theory predictions. The theory posits that excessive concentration of power in the hands of management hinders the effectiveness of board oversight, fostering managerial misbehavior that, in turn, neglects shareholder interests, which fundamentally rely on dividend distribution. Therefore, we can confirm hypothesis (H1c).

Regarding the frequency of board meetings, the analysis demonstrates that a high frequency of meetings has a positive and statistically significant impact at the 1% level on dividend distribution. This result is explained by the fact that frequent meetings allow the board to review and adjust the distribution policy in line with shareholders' interests, strengthening control mechanisms and leading to effective governance. This finding is supported by the work of Riaz and Ahmad (2016), Boshnak (2021), and Alshabibi et al. (2021), confirming hypothesis (H1d).

The ownership concentration (OWNC) variable, on the other hand, has a negative and statistically significant effect at the 10% level on profit distribution. This trend reflects the strategy of the controlling shareholder, who, due to their decision-making power, prefers to reduce distributions to strengthen the bank's capital and improve solvency ratios, in line with "Basel III" requirements. By leveraging access to information, the signaling role of profits becomes unnecessary to demonstrate the bank's financial stability. Our result corroborates the findings of Gugler and Yurtoglu (2003), Maniagi et al. (2013), Chertel et al. (2020), and Sbai et al. (2024), confirming hypothesis H2.

Regarding profitability measured by ROE, the results indicate no statistically significant effect on dividend distribution policy, leading to the rejection of hypothesis H3a.

Concerning bank size, the results show a statistically significant and positive relationship between bank size and dividend payments at the 10% level. This finding is consistent with previous studies, including Fama and French (2001), Al-Malkawi (2007), and Mercado-Mendez and Willey (1995). This relationship can be explained by differences in banks' dividend distribution policies according to their size and investment nature, as larger banks generally have greater financial resources and are thus more capable of paying higher dividends, whereas smaller banks prefer to retain earnings to

finance growth. This relationship supports the acceptance of hypothesis H3b.

Finally, the results indicate a negative relationship at the 10% significance level between capital structure and dividend distribution, as higher leverage reduces banks' ability to pay dividends. This finding is consistent with the studies of López de Foronda (2001), Al-Kuwari (2009), Yusuf (2015), and Tahir and Mushtaq (2016), thereby supporting the acceptance of hypothesis H3c.

4. Conclusion

This study aimed to examine the governance mechanisms that influence dividend distribution policies within Algerian banks. To achieve this, an econometric approach based on panel data was adopted, covering a sample of fifteen Algerian banks over the period 2010-2019.

The results show that certain board of directors' characteristics play a significant role in determining dividend policy. In particular, board size and the frequency of its meetings have a positive and significant effect on dividend distribution, while the independence of directors and CEO duality have a negative impact. Furthermore, ownership concentration, representing the ownership structure, also exerts a negative influence on dividend distribution.

Regarding financial characteristics, the analysis reveals a positive and statistically significant relationship between bank size and their dividend policy. Conversely, a high level of debt hinders banks' ability to distribute dividends. However, profitability and firm size do not appear to have a significant effect on this policy.

This research makes an important empirical contribution to the literature on banking governance in emerging economies, by highlighting the central role of internal governance mechanisms in dividend-related decisions. The results also provide practical guidance for managers, emphasizing the need to establish balanced governance structures adapted to financial and

regulatory constraints, in order to enhance financial stability and maximize value creation for shareholders.

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