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CORPORATE GOVERNANCE AND CASH HOLDINGS OF MANUFACTURING COMPANIES IN NIGERIA

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Abstract

Purpose: The study examined the effect of corporate governance on cash holding by using observation from 2012 to 2015 from five Nigerian quoted Manufacturing Companies. To achieve this goal the following factors on cash holdings were examined: Board's compensation, female board members, board's size, board's ownership, board's educational level and board's age.

Methodology: The secondary data used were taken from companies websites, annual reports and financial statements. Multiple regression model based on panel data analysis was applied to assess the aforementioned relationship and their significance were determined.

Results: The achieved findings indicated that presence of female board members, boards educational level, board compensation and board's age (working experience) have positive influence on cash holding Board's size and board's ownership have negative influence on cash holding. The study further identified board's ownership as a determinant of cash holding in Nigerian manufacturing companies. Hence, the higher the interest of directors in acquisition of shares of a company, the more the cash holding of that company.

Unique contribution to theory, practice and policy: The study recommends a yearly review of the dividend policy of the manufacturing companies to improve the dividend payout as an encouragement to shareholders.

Keywords: *Corporate governance, Cash holding, quoted manufacturing firm, Nigeria*

Introduction

Corporate governance includes the different relationships between parties with interests in a business organization (Paskelian, Bell & Ngugen, 2010).Recently, particular attention has been attracted by the relationship between a large controlling Shareholder and minority shareholders. According to Gompers,Ishi, & Metrick (2003), the persuasion of corporate governance elucidates synergistic relationships between shareholders and management which is aimed to improve organizational efficiency and market competitiveness. Basheer (2014) stated that corporate governance is a credential contrivance for controlling the agency problem. According to the Australian standard (2003), the corporate governance is considered as the process, by which organizations are directed, controlled and held to accountability. This means that corporate governance encompasses the authority, accountability, stewardship, leadership, direction and control exercised in the process of managing organizations. Adam Smith as mentioned in Amy & Jan (2005) explains that due to separation of ownership and control "negligence and profusion, therefore must always prevail, more or less in the management of the affairs of such companies. The destruction that results from such negligence and profusion is prevented by good corporate governance. Basheer (2014) rightly stated that "revenue is vanity, cash flow is sanity, but cash is king", because any business can continue to exist in short to medium term even if they are operating at a loss but with enough amount of cash. Cash holding can be defined as cash and other cash equivalents. Brigham in Sahani (2012) stated that the most liquid cash is held by corporation for several reasons, but mainly to meet up immediate payment.

To decide an appropriate cash level in a company is always a critical issue. Firms hold cash to ensure the operations, meet obligations and catch the good investment opportunities. During cash shortage, cash acts as a buffer also to prevent high opportunity cost. Sohani (2012) rightly stressed that when a firm does not generate sufficient cash flow to support further business, it may be difficult for small or growth firm to raise fund easily. Common choice for them is to issue even riskier debt instrument which has its limitation. Moreover, developing firms may not have sufficient fund to reinvest, as a result cost of capital may be higher than the required rate of return. On the other hand, a problem or conflict can arise between shareholders and the managers just because the firms have large amount of cash. Managers may use cash for their own needs without caring for shareholders. In other words, they may see their benefit and it may annoy the shareholders whose cash is being used (Raza and Asghar, 2013). There must be good laws for the manager's monitoring as well as for shareholder's rights so that managers may not invest the cash of shareholders to their private investments. By this the number of conflicts can be avoided. Wong Ying (2013) rightly stated that weak governance mechanism further triggers managers to hold more cash which may cause unwise overinvestment like expensive acquisitions and subsequently have negative effect on the shareholders' benefit.

Opler, Pinkowitz, Stulz and Williamson (1999) is of the opinion that companies with good investment opportunities and high cash flow risks tend to hold more cash. However, this large amount of cash holding may result in agency problems of free cash flow as managers can get private benefits easily. Weak governance mechanism gives rise to managers holding more cash, which can lead to unwise over investment such as expensive acquisition, and subsequently have negative effect on the shareholders.

This study aims to qualify the contribution of corporate governance to cash holding of manufacturing firms in Nigeria. Previous studies have indicated that corporate governance can be measured through the following elements: (i) Board's size (ii) Presence of female board members (iii) Duality of the CEO (iv) Education level of board members (v) Board's working

experience (vi) Independent (outside) directors (vii) Board's compensation (viii) Board's ownership.

Cash holding can be measured with cash.

Objectives of the Study

The main objective is to examine the relationship between corporate governance and cash holdings of manufacturing companies in Nigeria.

The specific objectives of this study include:

1. To determine the relationship between board compensation and cash holdings of manufacturing companies in Nigeria.
2. To investigate the influence of presence of female board members on cash holdings of manufacturing companies in Nigeria.
3. To determine the influence of board's size on cash holdings of manufacturing companies in Nigeria.
4. To investigate the relationship between board's ownership and cash holdings of manufacturing companies in Nigeria
5. To determine the relationship between the board's educational level and cash holdings of manufacturing companies.
6. To investigate the contribution of board's age to the cash holding of manufacturing companies in Nigeria.

Research Hypotheses

The following null hypotheses are stated for this study.

H_{01}: There is no significant relationship between board's compensation and cash holding of manufacturing companies in Nigeria.

H_{02}: Presence of female board members does not have significant influence on cash holding of manufacturing companies in Nigeria.

H_{03}: Board's size does not significantly influence cash holding of manufacturing companies in Nigeria.

H_{04}: There is no significant relationship between board's ownership and cash holding of manufacturing companies in Nigeria.

H_{05}: There is no significant relationship between board's educational level and cash holding of manufacturing companies in Nigeria.

H_{06}: Board's age does not contribute significantly to the cash holding of manufacturing firms in Nigeria.

Scope of the Study: The researchers are to examine whether there is any significant relationship between corporate governance and cash holding of manufacturing companies in Nigeria. The study covers five manufacturing companies in Nigeria. Time series panel data from 2010-2015 annual report were collected from the selected manufacturing companies. The quoted manufacturing companies include: Vita foam Nig. Plc, Cadbury Nig. Plc, Dangote Cement Nig. Plc, Guiness Nig. Plc, and Nestle Foods Nig .Plc

Review of Related Literature

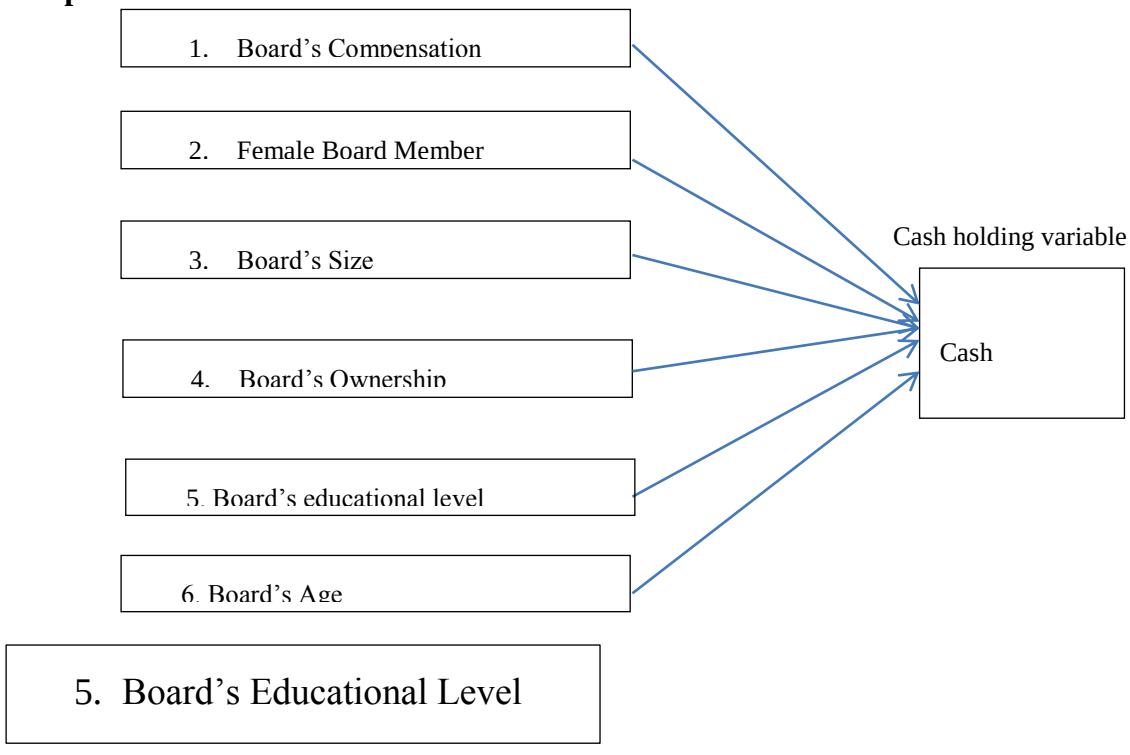
Conceptual Review

Corporate governance, according to the organization for Economic Co-operation and

Development (OECD) (1999) is "the systems by which business corporations are directed and controlled". Corporate governance as stated by Raithatha and Bapat (2012) is the overall control of activities in a corporation. According to Basheer (2014), Corporate governance mechanism is a vital determinant of corporate liquidity which provides stakeholders with opportunity to tender managerial cash discretion. Isshaq, Bapkin and Onumah (2009) noted that good governance increases the stakeholder's wealth and dictates a reasonable amount of cash, while weaker governance leads to produce elevated conflict of interest.

Dyek and Zingales (2004) are of the opinion that controlling shareholders can obtain some benefits known as private benefits of control that are not attainable by other shareholders. The selected variables of corporate governance to be tested include; Board's compensation, female board members, board size, board ownership, board's education level and board's age. Board compensation is the average compensation of all directors on the board: natural logarithm is taken after adding 1 to all firms to control firms that didn't pay compensation (DUC and Thuy, 2013). Female board members are measured by the number of women present on the board. Board size means board membership and is measured by the number of inside and outside directors on the board. Board ownership is the ratio of shares held by director divided by total outstanding shares. Board's educational level is the number of directors holding postgraduate degree. Board's age is average age of (working experience) of all board members.

Corporate Governance Variables



Source: Researchers concept used in variables

Theoretical Review

Theories associated with corporate governance

Khodadi and Taker in Anabestani and Shourvarzi. (2014) are of the opinion that corporate governance contains the relations between shareholders, managers, auditor and other beneficiaries which control shareholders' equity, execute verified laws and avoid probable misuses. Hence, corporate governance strategies are organized to provide owners with controlling mechanism that is systematic so as to observe the activities of the firm and managers and then assure them of management responsiveness and beneficiaries payoff. The theories of corporate governance are;

Agency theory: Agency theory was propounded in 1973 by Barry. M. Mitnick, Professor of business administration and Katz graduate school of business, university of Pittsburgh .Agency theory is of the view that the separation of management and owner leads to agency problems as managers are taken to be agents and shareholders as staff. This gave rise to conflicts of interests between the agents (managers) and the owners of business. Kiel and Nicholson (2003) are of the view that Agency theory is the separation of control from ownership meaning that the professional managers manage a firm on behalf of the firms' owners. Mulini and Wong,(2011) further suggests that a firms top management should have a reasonable or significant ownership of the firm so as to secure a positive relationship between corporate governance and the amount of stock/shares owned by the top management.

Stewardship theory: Achuthans and Kajanantha. R. (2013) stressed that stewardship theory in contrast is stakeholders theory which suggest that a firms board of directors and its chief executive officers (CEO) acting as stewards are strongly encouraged to act in the best interests of the firm than for their own selfish interests.

Theories associated with cash holdings

Theories that affect the level of company's cash holdings include:

Free cash flow theory: free cash flow theory as propounded by Jensen (1986) is of the opinion that managers are encouraged to gain power which is not decided by rules in relation to firm investment decision and to build up cash to increase the assets amount under their control. Free cash flow is left over cash after all project financing and all operational needs have been settled (Basheer. 2014). Ferreira and Vilela (2004) rightly suggest that with available sufficient amount of cash for investment the firm can easily finance and make better investment decision without disclosing the project information to bankers.

Trade-off theory: According to Myer, (1977), this theory means that when marginal cost and marginal benefits of holding cash are balanced, optimal level of cash holding is attained. The marginal cost of holding cash being the opportunity cost of holding cash that is, return of current short term investments which you are forgoing for transactional or precautionary motive. Marginal benefits of holding cash acts as a tool to formulate the best investment policy and firms with large cash holding can lower the increasing financial cost which is increasing because by raising fund eternally or by liquid acting already existing assets.

Empirical Review

Board's compensation and cash holding: Duc and Thuy (2013) in their study on corporate governance and firm performance: empirical evidence from Vietnan using flexible generalized least squares (FGLS) technique on 77 listed firms in Vietnam trading over the period from 2006 to 2011 discovered that the board's compensation has positive effects on the performance of firms.

Basheer (2014) investigated the impact of corporate governance on corporate cash holdings. An empirical study of firms in manufacturing industry of Pakistan using panel data of Pakistan 138 firms listed in Karachi stock Exchange during 2008 to 2012. The result suggested that board's compensation is positively related to cash holdings.

Female board member and cash holding: Duc and Thuy (2013) investigated the relationship between corporate governance and firm performance in vietnam using least square technique on 77 listed firms for the period from 2006 to 2011 and concluded that there is a positive relationship between female board members and firm performance and advised the board to appoint female board members because these females will make a significant contribution to the firm's performance.

Board's size and cash holding: Wong Ying (2013) carried out a study on the effect of corporate governance on cash holdings: Evidence from Hong Kong of eighty listed Hong Kong companies for two years from 2010 to 2012. The finding showed that small-sized firms hold more cash to avoid underinvestment and the potential consequence of being acquired due to proxy fight.

Amy (2008) examined corporate governance and the value of cash holdings using a sample of all U.S publicly traded firms from 1990 to 2003. The study also indicates that small board size will contribute to the success of a firm.

Board's ownership and cash holding: Raza Zia-ul- & Asghar (2013) in their study on impact of corporate governance on corporate cash holding: Evidence from Non-financial firms in Pakistan applied multiple regression on non-financial companies listed on KSE-100 index from the time 2005 to 2010 and found that board's ownership is an insignificant variable. The result is in accordance with the literature which indicates that adherence to corporate governance principles could make firms to grow and thus firms can get external finance easily. This enables firms to hold less cash and establish trust among the stakeholders.

Brickley, Lease and Smith (1988) examined the ownership structure and voting on antitakeover amendments and concluded that the board's ownership is an encouragement for board member which will help board members supervise management in a more efficient way.

Board's educational level and cash holding: Duc and Phan (2013) studied corporate governance and firm performance in vietnam and found out that when board members are fully equipped with management knowledge such as finance, accounting, marketing, information system, legal issues and other related areas of the decision making process, each member will contribute significantly and positively to management decision which is then translated into the firms performance.

Board's age and cash holding: Duc and Phan (2013) in their studies on corporate governance and firm performance in Vietnam discovered that the board's age or working experience contribute positively to a firms performance.

Methodology

This study made use of descriptive design. Time series data from 2012 to 2015 annual report relating to five manufacturing companies in Nigeria were collected and analysed for the study. These companies include: Vita foam Nigerian Plc, Cadbury Nigerian Plc, Dangote Cement Nigeria plc, Nestle foods Nigerian plc.

Data were collected from secondary source (annual report) of the affected companies from their annual reports in Nigeria Stock Exchange.

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Model Specification

The economic model considered in this study considered board's compensation (BDCOM) board members/size (BSIZE), board';s ownership (BOWRS), board's educational level (BEDL), board working experience (BAGE) as the explanatory (independent) variable and cash as the dependent variable. The following models were used to test the stated hypotheses

CASHD =F (BDCOM, FBM, BSIZE, BOWRS, BEDL, BAGE) …….(1)

Specifying equation (1) as an exponential regression model, we have:

$CASHD_{t_i} = a_o + B_1 BDCOM_{t_i} + B_2 FBM_{t_i} + B_3 BSIZE_{t_i} + B_4 BOWRS_{t_i} + B_5 BEDL_{t_i} +$

$B_6 BAGE_{t_i} + ER$ ……..(2)

Measurement of Variables

Table I: Corporate Governance Variables and Cash holdings

Variables	Definition	Measurement
Dependent variable		
cash	cash holding	cash and bank
Explanatory variables		
BDCOM	Board's compensation	Average compensation of all directors on the board each year.
FBM	female board members or Gender	number of women members on the board
BSIZE	board members or board size	number of inside and outside directors on the board.
BOWRS	board's ownership	ratio of shares held by directors divided by total outstanding shares
BEDL	board's educational level	number of directors holding postgraduate degrees
BAGE	board's working experience	average age of all directors on the board.

Data presentation and analysis

Table 4:1. Descriptive Statistics

Variables	Mean	Max	Min	Std. Dev	JB (p-value)
CASHD	614057	17962000	115688	5885132	3.27(0.19)
BSIZE	0.70	1.00	0.00	0.47076	3.82(0.14)
BEDL	3.75	7.00	1.00	1.83174	1.23(0.54)
BAGE	0.55	1.00	0.00	0.51	3.33(0.19)
BOWRS	0.80	1.00	0.00	0.41	7.55(0.02)**
BDCOM	150363	154874	10767	115027.3	5.98(0.05)**
FBM	0.50	0.50	0.00	0.51	3.33(0.19)

Source: Researcher's computation (2016)

Note: *1%, **5%, ***10% Levels of Significance.

Table 4.1 shows the mean (average) for each of the variables, their maximum values, minimum values, standard deviation and Jarque-Bera (JB) Statistics (normality test). The results in table 4.1 provided some insight into the nature of the selected Nigerian quoted companies that were used in this study.

Firstly, it was observed that on the average over the five (5) years period (2011-2015), the sampled quoted companies in Nigeria were characterized by positive average CASHD (614057), the maximum amount of cash holding of the sampled companies was 17962000 while the minimum value stood at 115688. Secondly, we also observed that the sampled companies for this study were dominated by large board size (BSIZE=70%), Board age (BAGE=55%) and Board ownership (BOWRS= 80%). This shows that most quoted companies in Nigeria have different board size, board age and board ownership. This wide variations in board size, board age and board ownership of the sampled companies therefore justify the need for this study, as we expect such companies to have large cash holdings than those with less board size, board age and board ownership concentration.

The table also shows the standard deviation value of 5885732 as highest value while the lowest value stood at 0.41 showing that the companies used for this study were well specified, not dominated by either large or small companies. A look at the board compensation (BDCOM) shows a maximum value of 154874 while the minimum value stood at 0.05. This shows that most quoted companies in Nigeria have different board compensation. This wide variation in board compensation (BDCOM) also justifies the need for this study, as we expect companies with higher board compensation(BDCOM) to hold higher cash than those with small board compensation(BDCOM).

Correlation Analysis

In examining the association among the variables, we employed the Pearson correlation coefficient (correlation matrix) and the results are presented in Table 4.2 (see appendix 2 for a detailed result).

TABLE **4.2: Pearson Correlation Matrix**

	CASHD	BSIZE	BEDL	BAGE	BOWRS	BDCOM	FBM
CASHD	1.00	0.025	0.15	0.06	0.71	0.45	0.16
BSIZE	0.03	1.00	0.46	0.07	0.33	0.06	0.22
BEDL	0.15	0.46	1.00	0.27	0.14	0.60	0.25
BAGE	0.06	0.07	0.27	1.00	0.30	0.56	0.10
BOWRS	0.71	0.33	0.14	0.30	1.00	0.20	0.50
BDCOM	0.45	0.06	0.60	0.56	0.20	1.00	0.04
FBM	0.16	0.22	0.25	0.10	0.50	0.04	1.00

The use of correlation matrix in most regression analysis is to check for multi-colinearity and to explore the association between each explanatory variable (BSIZE, BEDL, BAGE,BOWRS,BDCOM and FBM) and the dependent variable(CASHD).Table 4.2 focused on the correlation between firm cash holdings and the independent variables (BSIZE, BEDL, BAGE, BOWRS, BDCOM and FBM).

The findings from the correlation matrix table show that all our independent variables.

(BSIZE = 0.03; BEDL = 0.15; BAGE = 0.06; BOWRS=0.71;BDCOM=0.45 & FBM = 0.16) were observed to be positively and weakly associated with firm cash holding (CASHD). In

checking for multi-colinearity, we notice that no two explanatory variables were perfectly correlated. This means that there is no problem of multi-colinearity between the explanatory variables. Multi-colinearity may result to wrong signs or implausible magnitudes in the estimated model coefficients, and the bias of the standard errors of the coefficients.

Testing of Hypotheses formulated

In other to examine the impact relationships between the dependent variable (CASHD) and the independent variables (BSIZE, BEDL, BAGE, BOWRS, BDCOM and FBM) and to also test our formulated hypotheses, we used a pooled multiple regression analysis since the data had both time series (2012-2015) and cross sectional properties (5 quoted companies). The pooled interaction based multiple regression results are presented and discussed in Table 4.3 below (see appendix two for a detailed result).

Table 4.3: CASHD panel regression results

Variables	Coefficient	t-statistics	Prob.
C	13982013	3.88	0.00
FBM	2453990	1.06	0.31
BSIZE	-2757193	-0.99	0.34
BEDL	14523.08	0.02	0.99
BOWRS	-11933027	-3.19	0.01
BDCOM	14.79094	0.91	0.38
BAGE	235537.9	0.08	0.94

R-squared 0.66

Adjusted R-squared 0.53

F-Statistic 4.506220

Prob (F-Statistics) 0.01

Source: Researched computation through E-view 8.0 statistical package

In table, 4.3, R-squared and adjusted R-squared values were (0.66) and (0.53) respectively. This indicates that all the independent variables jointly explain about 66% of the systematic variations in CASHD of our sampled companies over the five-year period (2012-2015). The F-statistics (4.50) and its P-value (0.01) shows that the CASHD regression model is well specified.

In addition to the above, the specific findings from each explanatory variable are provided as follows:

Female Board Members(FBM) and Cash holding(CASHD), based on the t-value of 1.06 and P-value of 0.31, was found to have a positive influence on our sampled quoted companies Cash holdings. However, this influence was not statistically significant since its P-value was more than 0.10.This result, therefore suggests that we should accept our null hypothesis two ($H0_2$) which states that presence of female board members does not positively influence cash holdings of manufacturing companies in Nigeria, to reject our alternate hypothesis. This means that Female Board Member (FBM) is not a determinant of firm cash holdings in Nigeria.

Board size (BSIZE) and Cash holding (CASHD), based on the t-value of -0.99 and p-value of 0.34, and was found to have a negative influence on our sampled quoted companies Cash holdings. However, this influence was statistically not significant since its p-value was more than 0.10 values. This result therefore, suggests that we should accept our null hypothesis three (Ho_3) which states that board size does not significantly influence cash holdings of manufacturing companies in Nigeria. This means that on the basis of cash holdings of firms,

board size affects it negatively, meaning that firms with large board size may hold less cash than those with less board size. Although, since the influence of board size (BSIZE) on firm cash holding is not statistically significant, board size is not a determinant of firm cash holdings in Nigeria

Board Education Level and Firm Cash Holding (BEDL) based on t-statistic of 0.02 and p-value of 0.99 was found to have a positive influence on our sampled company's cash holdings and this influence was not statistically significant since its p-value was more than 0.10 or 10% level. This result therefore, suggests that we should also accept our null hypothesis five ($H0_5$) which states that there is no significant relationship between board education level and cash holding of manufacturing companies in Nigeria. This means that board educational level (BEDL) is not a determinant of cash holding of companies in Nigeria.

Board Ownership and Firm Cash Holding(BOWRS), based on t-value of -3.19 and p-value of 0.01, was found to have a negative influence on our sampled companies firm cash holding (CASHD) and this influence was statistically significant since its p-value was less than 0.05 or 10% level. This result therefore suggests that we should reject our null hypothesis four ($H0_4$) which states that there is no significant relationship between board ownership and cash holding of manufacturing companies in Nigeria, to accept our alternate hypothesis. This means that Board Ownership (BOWRS) is a determinant of cash holding of companies in Nigeria, meaning that firms with higher board ownership structure tends to hold more cash than those with less board ownership structure.

Board Age and Firm Cash Holding (BAGE), based on t-value of 0.08 and p-value of 0.94, was found to have a positive influence on our sampled companies firm cash holding (CASHD). Although, this influence was not statistically significant since its p-value was more than 0.10 or 10% level. This result therefore suggests that we should accept our null hypothesis six ($H0_6$) which states that board age does not contribute positively to the cash holding of manufacturing companies in Nigeria. This means that board Age (BAGE) is not a determinant of cash holding of companies in Nigeria.

Board Compensation and Firm Cash Holding (BDCOM), based on t-value of 0.91 and p-value of 0.38, was found to have a positive influence on our sampled companies firm cash holding (CASHD). Although, this influence was not statistically significant since its p-value was more than 0.10 or 10% level. This result therefore suggests that we should accept our null hypothesis one ($H0_1$) which states that there is no significant relationship between board compensation and cash holding of manufacturing companies in Nigeria. This means that board Compensation (BDCOM) is not a determinant of cash holding of companies in Nigeria.

Summary of findings, conclusion and recommendation

1. Board's compensation has a positive influence on cash holding, though not statistically significant at 5% level. Hence, board's compensation is not a determinant of cash holding of manufacturing companies in Nigeria.
2. Female board members have a positive influence on cash holding but not statistically significant at 5% level. Consequently, it is not a determinant of cash holding of manufacturing companies in Nigeria.
3. Board's size has a negative influence on cash holding and it is statistically insignificant at 5% level. This implies that firms with large board size hold less cash than those with less board size. It is not a determinant of cash holding of manufacturing companies in Nigeria.

4. Board's ownership has a negative influence on cash holding and it is statistically significant at 5% level. It is a determinant of cash holding of manufacturing companies in Nigeria
5. Board's Educational level has a positive influence on cash holding and is statistically insignificant at 5% level. This means that it is not a determinant of cash holding of Nigerian manufacturing companies.
6. Board's age have a positive influence on cash holding and is statistically insignificant at 5% level. Hence, it is not a determinant of cash holding of manufacturing companies in Nigeria

The relationship between board size and cash holding is negative and insignificant. This negative relation is in accordance with predictions of trade off theory which state board size as an inverse proxy of information asymmetry. Which means smaller firms have more information asymmetry than larger firms. Firms view this decreased information asymmetry as positive signal to banks because information asymmetry problem cause some additional borrowing constrains which leads to costly external financing. As firm with larger size can easily raise funds from capital market, so one can expect a negative relation between cash holdings and firm size. This negative result is consistent with prior empirical findings of Wong Ying (2013) which means firm with larger size hold less cash while smaller-sized firms hold more cash.

Specific lessons can be summarized as below:

- There should not be many members on the board because a larger board's size will contribute negatively to firm's cash holding.
- It is necessary for listed firms to consider an appropriate and competitive compensation level of board's members. The compensation will provide a better link between shareholders and firm's management and this link will enhance firm's cash holding to maximize shareholders' value.
- The directors should be encouraged to acquire more shares of the company as an improvement on directors interest on shares will automatically increase the cash held by such company.
- Well read directors should be appointed as members of the board to boost cash holding of the firm.

Conclusion: The result of the findings indicates that board's ownership is the most vital corporate governance variable that determines the cash holding of manufacturing companies in Nigeria. Directors are advised to invest and reinvest on **shares** of company of their interest to boost the liquidity of the company by causing an upsurge on the cash holding of the company as this can even save distressed company from bankruptcy.

Recommendation: The dividend policy of the manufacturing companies should be revised on yearly basis so as to improve on the dividend pay out to shareholders to encourage them to acquire more shares. This will also motivate the directors to acquire more shares, hence an enhancement on board ownership which increase cash holding of companies.

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Appendix

DESCRIPTIVE STATISTICS OF THE SAMPLED QUOTED MANUFACTURING COMPAIES

	CASHD	BSIZE	BEDL	BAGE	BOWRS	BDCOM	FBM
Mean	6140572.	0.700000	3.750000	0.550000	0.800000	150363.2	0.500000
Median	4648377.	1.000000	3.500000	1.000000	1.000000	154874.0	0.500000
Maximum	17962000	1.000000	7.000000	1.000000	1.000000	485000.0	1.000000
Minimum	115688.0	0.000000	1.000000	0.000000	0.000000	10767.00	0.000000
Std. Dev.	5885132.	0.470162	1.831738	0.510418	0.410391	115027.3	0.512989
Skewness	0.978194	-0.872872	0.168034	-0.201008	-1.500000	1.061990	0.000000
Kurtosis	2.687184	1.761905	1.831373	1.040404	3.250000	4.633371	1.000000
Jarque-Bera	3.271087	3.817082	1.232193	3.334694	7.552083	5.982658	3.333333
Probability	0.194846	0.148297	0.540048	0.188747	0.022913	0.050221	0.188876
Sum	1.23E+08	14.00000	75.00000	11.00000	16.00000	3007264.	10.00000
Sum Sq. Dev.	6.58E+14	4.200000	63.75000	4.950000	3.200000	2.51E+11	5.000000
Observations	20	20	20	20	20	20	20

CORRELATION RESULT OF QUOTED MANUFACTURING COMPANIES

	CASHD	BSIZE	BEDL	BAGE	BOWRS	BDCOM	FBM
CASHD	1	0.02596084361336549	0.1458701455451987	-0.06049666126510541	-0.7053849870941054	0.4486631086267335	-0.164007332677363
BSIZE	0.02596084361336549	1	0.4583492485141056	0.06579516949597689	-0.3273268353539886	0.05920419016139886	-0.2182178902359924
BEDL	0.1458701455451987	0.4583492485141056	1	0.2673935429164745	-0.1400280084028009	0.6027165254526769	-0.2520504151250417
BAGE	-0.06049666126510541	0.06579516949597689	0.2673935429164745	1	0.3015113445777636	0.5595330977939656	0.1005037815259212
BOWRS	-0.7053849870941054	-0.3273268353539886	-0.1400280084028009	0.3015113445777636	1	-0.2000485651252105	0.5
BDCOM	0.4486631086267335	0.05920419016139886	0.6027165254526769	0.5595330977939656	-0.2000485651252105	1	-0.03745804221878664
FBM	-0.164007332677363	-0.2182178902359924	-0.2520504151250417	0.1005037815259212	0.5	-0.03745804221878664	1

REGRESSION RESULT

Dependent Variable: CASHD
Method: Panel Least Squares
Date: 12/12/16 Time: 11:29

Sample: 2012 2015

Periods included: 4

Cross-sections included: 5

Total panel (balanced) observations: 20

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13982013	3607262.	3.876073	0.0019
FBM	2453990.	2319962.	1.057772	0.3094
BSIZE	-2757193.	2783056.	-0.990707	0.3399
BEDL	14523.08	875923.1	0.016580	0.9870
BOWRS	-11933027	3743878.	-3.187343	0.0071
BDCOM	14.79094	16.32889	0.905814	0.3815
BAGE	235537.9	2873833.	0.081960	0.9359

R-squared	0.675303	Mean dependent var	6140572.
Adjusted R-squared	0.525443	S.D. dependent var	5885132.
S.E. of regression	4054157.	Akaike info criterion	33.53760
Sum squared resid	2.14E+14	Schwarz criterion	33.88611
Log likelihood	-328.3760	Hannan-Quinn criter.	33.60563
F-statistic	4.506220	Durbin-Watson stat	1.914929
Prob(F-statistic)	0.011021		