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Non-Native Minority Directors in the Boardroom: How Does their Voice Matter in Dividend Decisions?

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Abstract

This study examines the effect of mechanisms enabling the voice of non-native minority directors on dividend policy. Drawing on Critical Mass Theory, it investigates whether dividend policy varies with the extent of non-native minority director's voice. The study uses data from firms listed on the Nairobi (Kenya) and Dar es Salaam (Tanzania) Stock Exchanges for the period 2014 to 2024. It employs methods of Moment Quantile Regression to estimate average dividends across different levels of dividend pay-out. Results reveal that having at least three foreign directors negatively affects dividend policy. Further, appointing a foreign board chairperson positively affects dividend policy while having a majority non-African directors or at least 30% of them positively influences dividend policy. Neither hiring at least three non-African directors nor appointing a non-African board chairperson affects dividend policy. This study is one of the few in a developing country context examining how non-native minority directors affect dividend policy using a technique capable of uncovering variation in dividend policy at different quantiles of dividend pay-out.

Keywords: Dividend Policy, Critical Mass, Board Diversity, Minority Directors

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Introduction

Diversity in the board room remains vital in the corporate governance literature and is highlighted as a determinant of board outcomes (Naeem et al., 2025; Torchia & Solarino, 2025; Zaidan & Melhem, 2025). Board diversity has gained prominence from its ability to accommodate multiple agenda such as gender, nationality and background of directors. Governments responded to recommendations of enhancing board diversity by formulating policies to ensure that listed firms take diversity as an invaluable asset (CMA, 2015; CMSA, 2002). These policies suggest diversity-enhancing directives such as hiring foreign directors to attract different national and social culture perspectives (Khan et al., 2022; Khiar & Kooli, 2023). Notably, literature recommends that national diversity is a useful mechanism for mitigating undesirable dividend policies (Mirzoyan et al., 2025; Shehata, 2022; Tao et al., 2022; Yousef et al., 2025). The literature also recommends examining how diversity by global region of origin can address dividend problems (Khan et al., 2022). Undesirable dividend policies are either paying or not paying dividends in circumstances where shareholders would not recommend doing so (Financial Times, 2020; Habarileo, 2020).

Internationalizing a boardroom ends up into appointing directors who are minorities by virtue of their national and regional descent. Minority directors enhance board deliberations by bringing diverse opinions (Torchia & Solarino, 2025). However, the national diversity may not necessarily influence dividend policy (Khan & Baker, 2023); thereby raising the question of whether a theoretically predetermined threshold of non-native minority directors would affect dividend policy. Some theorists suggest that minority directors influence dividend policy only if they get a voice in the board by reaching a minimum threshold required to influence decisions; also known as a critical quantity (Khan et al., 2022; Yousef et al., 2025). According to the Critical Mass Theory, the voice of a minority group of directors will spearhead dividend decisions if the number of those minorities attains a critical quantity (Lefley & Janeček, 2024; Pinheiro et al., 2024). Drawing on Critical Mass Theory, this study establishes benchmark quantity of non-native minority directors to generate observable changes in the board decision-making (Caby et al., 2024; Campopiano et al., 2023; Salaiz & Faifman, 2024). Another mechanism of strengthening minority voice regardless of their quantity is assigning them leadership positions (Dobija et al., 2022; Trinh et al., 2020); for a leading position empowers that minority group to lead discussion in its 'favour' (Chaudhry et al., 2020). Accordingly, this study is guided by the hypothesis that undesirable dividend policies may arise in the absence of influential minority groups; and therefore examines the effect of the voices of non-native minority directors on dividend policy. Diversity plays a significant role in shaping fundamental operational decisions such as allocating limited resources by balancing between investment and dividend pay-outs.

This study uses data from firms listed on the Dar es Salaam and the Nairobi Securities Exchanges. Reports were obtained from the websites of the Dar es Salaam Stock Exchange (DSE), the Nairobi

Securities Exchange (NSE) and the African-markets portal (African-markets, 2021; DSE, 2022; NSE, 2023). Analyses were conducted using methods of Moment's Quantile Regression Technique. The results show that the voice of non-native minority directors affects dividend policy at different levels of dividend pay-out. Findings suggest that allocating funds to hiring international directors and ensuring they gain voice on the board benefits shareholders. The article proceeds as follows: Section two presents theoretical foundations and reviews the empirical literature from which hypotheses are derived. Section three describes the study context, data sources, and variable measurements. Section four highlights and discusses the results. Section five discusses the limitations of the study. Section six presents the conclusion and the article's contribution.

Literature

Theoretical Foundation

The Critical Mass Theory and Dividend Decisions

The Critical Mass Theory identifies circumstances under which dynamics of boardroom interactions shift; particularly when a small group of minorities becomes audible amidst the majority. Those circumstances make a minority group noticeable and impactful when interacting with their counterparts (Kanter, 2010; Pinheiro et al., 2024). According to Critical Mass Theory, the impact of minorities in the boardroom becomes noticeable after their quantity tips at some level and beyond (Lefley & Janeček, 2024). Based on Lefley and Janeček (2024), the likelihood of the minority group feeling inferior vanishes after the quantity of its members attains a critical level; a level which even uninformed visitor may not spot any intergroup difference (Scheurer, 2014). Tokenism theoretically validates propositions of Critical Mass Theory by suggesting that interaction politics renders any diversity lacking sufficient members symbolic. Accordingly, a failure of hiring a critical quantity of non-native minority directors results in 'symbolic representation' of those groups (Harjoto, 2023).

Therefore, hiring a token number of non-native minority directors on the board is a superficial effort of shaping dividend policy. Any underrepresentation of non-native minorities may make them feel isolated and frustrate what shareholders expect from them (Holgersson & Romani, 2020). One stream of studies suggests that a constitution of at least three members of a minority group evokes changes in dividend decisions (Campopiano et al., 2023; Salaiz & Faifman, 2024). Salaiz and Faifman (2024) argue that the skills and abilities of the minority group in the boardroom will not be realized if the minority group remains a token by constituting less than three directors. Therefore, a board with three non-native directors will have that minority group audibly airing its voice; making it logical arguing that that minority group will too become powerful by equalizing or outnumbering the purported majority directors.

Another stream of studies argues that a minority group achieves a critical mass by composing at least 30% of all directors rather than solely relying on a count of three minority directors (Alkalbani et al., 2019; Caby et al., 2024). Since the thresholds of three and 30% are justifiable, this study applies both. With differing board sizes, this study employs metrics of both three and 30% in estimating the effect of non-native minority directors on dividend pay-out decisions; for a weight of three in a board of five is more substantial than it is in a board of twelve. This study employs the Critical Mass Theory to estimate the effect of non-native minority directors on a firm's dividend policy; assuming a critical quantity amplifies their voice in the board room. This study argues in line with Critical Mass Theory because it focuses voice, in addition to a representation; assuming that the voices of non-native directors matter because they may come with a unique perspective on dividend policy (La Porta et al., 2000; Subramaniam & Sakthi, 2022).

Empirical Literature and Hypotheses

Relationship between the Voice of Foreign Directors and Dividend Policy

Studies pioneering the relationship between board diversity and dividend policy suggest that nationality (Khan & Baker, 2023; Shehata, 2022) is a key dimension affecting pay-outs. For example, Shehata (2022) proposes that hiring foreign directors results in higher pay-outs by virtue of their international experience. Despite prevailing suggestions, board diversity should be implemented with care, as unplanned diversity can be ineffective (Khan & Baker, 2023). This study extends Khan and Baker (2023) by applying the Critical Mass Theory, which proposes that unplanned board diversity is not impactful on dividend policy; because interactions in the board room may privilege majority opinions while overshadowing those of minorities (Torchia et al., 2010). The theory applies in this context of examining the effect of an identifiable smaller group of directors with characteristics distinguishing them from other directors.

For example, Yousef et al. (2025) use evidence from the Gulf Cooperation Council and finds presence and percentage of foreign directorship relating to dividend policy; hence suggesting that not only presence but also the quantity of foreigners matters. Similarly, Tao et al. (2022) based on Shanghai and Shenzhen listed firms, concludes that international directorship positively promotes dividend pay-out. Likewise, Shehata (2022) concludes that the quantity of foreign directors affects dividend policy using data from Egyptian exchanges. Arguing from the critical mass lenses, all those studies seemingly

examined data of firms whose quantity of foreign directors satisfy demands of the theory; thus, had they missed critical quantities, their conclusions would differ. A vivid example of whether shortage of critical quantities would change the conclusion is Khan and Baker (2023) which concludes that foreign directorship has no significant effect on dividend policy. Upon probing this, Khan and Baker (2023) suggest that it may be attributed to a small percentage of foreigners.

This study suggests that a threshold of 3 or a composition of at least 30% foreign directors positively influences dividend policy (Caby et al., 2024; Salaiz & Faifman, 2024). Logically, if foreigners are the absolute majority on the board, then their quantity will leverage their voice to positively affect dividend policy. Another strategy of amplifying the voice of foreign directors is to appoint a foreign director as board chairperson (Dobija et al., 2022); for a chairing position vests authority in its holder and makes them a key decision-maker by conferring respect associated with that position (Chaudhry et al., 2020; Trinh et al., 2020). Therefore, this study further suggests that the presence of a foreign board chairperson positively influences dividend pay-out; hence, the following hypotheses are proposed.

H_1 A board composed of at least three foreign directors positively affects dividend pay-out.

H_2 A board composed of at least 30% foreign directors positively affects dividend pay-out.

H_3 A board composed of majority foreign directors positively affects dividend pay-out.

H_4 A foreign board chairperson positively affects dividend pay-out.

Relationship between the Voice of Non-African Directors and Dividend Policy

Khan et al. (2022) insists on expanding board diversity to include background of directors because backgrounds influence decisions. Ideally, a region of origin is associated with an economic culture that shapes dividend perspectives; as some cultures are pro-dividend while others are not (Khiar & Kooli, 2023). Therefore, minority non-African directors may influence dividend policy of a firm because of cultural differences (Subramaniam & Sakthi, 2022). Basing on pillars of Critical Mass Theory, this study suggests that a firm enjoys benefits of non-African directors if it hires a critical quantity of non-Africans; that is, a threshold of 3 or a composition of at least 30% non-African directors positively influences dividend pay-out (Caby et al., 2024; Salaiz & Faifman, 2024). Moreover, if non-African directors are the majority, then dividend pay-out will be positively affected as they can leverage on their numerical strength to influence dividend policy. An alternative way of experiencing a positive dividend pay-out is appointing a non-African board chair (Dobija et al., 2022); for a chairing position empowers a bearer with the authority to steer decisions (Chaudhry et al., 2020; Trinh et al., 2020). Thus, the presence of a non-African board chairperson empowers the voice of non-African directors. This study further proposes the following.

H_5 A board composed of at least three non-African directors positively affects dividend pay-out.

H_6 A board composed of at least 30% non-African directors positively affects dividend pay-out.

H_7 A board composed of majority of non-African directors positively affects dividend pay-out.

H_8 A non-African board chairperson positively affects dividend pay-out.

Methodology

Context and Data

This study is based on data for firms listed on the Nairobi Securities Exchange (NSE) and the Dar es Salaam Stock Exchange (DSE) in Kenya and Tanzania respectively from 2014 to 2024. The start year (2014) was chosen to obtain a larger DSE sample following the steady growth in listing by the end of 2013. Tanzania and Kenya were chosen because there are limited studies in this context where investors prefer dividends to capital gains (CMA, 2020; CMSA, 2019). Thus, frequent dividend-paying shares dominate trading such that any move to cut dividends jeopardizes market liquidity. Hence, to consistently pay dividends, a firm needs a board with unique perspectives on dividend policy. Data are drawn from 43 firms for 11 years, resulting in a sample of 473 firm-year observations. The 43 firms sampled (Appendix I) represent six different industry sectors as shown in Table 1.

This study extracts data from audited annual reports available from the African-markets portal, the websites of individual firms and the websites of NSE and DSE (African-markets, 2021; DSE, 2023; NSE, 2023). The study adopts a longitudinal design to accrue benefits of observing more variability through a larger sample size, more cross sections varying uniquely and possibilities of controlling inter-firm variations (Cameron & Trivedi, 2010; Gujarati, 2004). Firms were sampled based on the availability of

study data in the public domain. While the active population of listed firms was 78, the Aaker and Day (1986) formula revealed that a sample of 43 firms is adequate for making inference about the population.

Table 1: Classifying Sampled Firms by Industry

S/N	Industry category	Frequency	Year Observations	Percent
1	Banking	15	165	34.88
2	Consumer goods	9	99	20.93
3	Consumer services	5	55	11.63
4	Industrials	5	55	11.63
5	Insurance	7	77	16.28
6	Telecommunications	2	22	4.65
	Total	43	473	100.00

Source: *Study data*

Research Design

Variables and Measurements

The Dependent Variable

Dividend yield (YIELD) measures dividend intensity, referred to as dividends relative to the prevailing share price. On the other hand, dividend per share (DPSHARE) represents the actual amount of ordinary dividend paid in a year (Khan et al., 2022). This study excludes any non-routine special dividend from the dividend amount paid by the firm (Jain & Kashiramka, 2024).

Independent Variables

Voice of foreign directors: having a foreign board chairperson (FORNCHR), foreigners constituting 30% of board size (FOREIGN30), having at least three foreign directors (FOREIGN3) and foreign directors exceed local directors (FOEXDLO). Proxies for voice of non-African directors: having a non-African board chairperson (NACHAIR), having non-African directors compose 30% of all directors (NAFR30), if there are at least three non-African directors (NAFR3) and non-Africans exceeding African directors (NAFREXD).

Control Variables

Control variables are a dummy for country contexts (KENYAN), a dummy for the Corona Virus pandemic outbreak (PANDEMIC), profitability through return on assets (ROA) and earnings per share (EPS). Endowment of human capital for bringing alternative viewpoints in board meetings is captured by the number of directors (BSIZE) while the endowment of financial resources was proxied by the natural logarithm of total assets (InFSIZE). Effect of industry is captured by a dummy variable (INDUSTRY) (Table 2).

Table 2: Measurement of Variables

Variable	Measurement	Reference
DEPENDENT VARIABLE		
YIELD	Dividend per share ÷ share price.	Khan (2022)
DPSHARE	Ordinary dividend per share.	
INDEPENDENT VARIABLES		
NACHAIR	1 if there is a non-African chairperson, 0 otherwise.	Khan et al. (2022)
FORNCHR	1 if there is a foreign chairperson, 0 otherwise.	Dobija et al. (2022)
FOREIGN3	1 if there are at least 3 foreigners, 0 otherwise.	Campopiano et al. (2023)
FOREIGN30	1 if at least 30% of directors are foreigners, 0 otherwise.	Caby et al. (2024)
NAFR3	1 if there are at least 3 non-Africans, 0 otherwise.	Khan et al. (2022)
NAFR30	1 if at least 30% of directors are non-Africans, 0 otherwise.	Vairavan and Zhang, (2020)
CONTROL VARIABLES		
NAFREXD	1 if number of non-Africans exceeds that of Africans.	Khan et al. (2022)
FOLESLO	1 if number of locals exceeds that of foreigners.	Khan and Baker (2023)
FOEQLO	1 if number of foreigners equals that of locals.	
FOEXDLO	1 if number of foreigners exceeds that of locals.	
PANDEMIC	Representing years of COVID-19 shock: 1 if 2019, 2020 and 2021, 0 for other years.	Ershova et al. (2023)
KENYAN	1 if a firm is listed in Kenya, 0 otherwise.	Chang et al. (2020)

ROA	Profit after tax ÷ value of assets.	Chininga et al. (2024)
EPS	Profit after preference dividend ÷ number of ordinary shares outstanding.	Lee et al. (2024)
BSIZE	Number of directors on the board.	Khan et al. (2022)
lnFSIZE	Logarithm of total assets.	Mai et al. (2023)
INDUSTRY	Industry dummies: '1' banking; '2' consumer goods; '3' consumer services; '4' industrials; '5' insurance and investment '6' Telecommunications.	Pham et al. (2020)

Source: *Literature*

Estimation and Analysis

After running descriptive statistics, this study employs a quantile regression technique that is robust to outliers and capable of implementing quantile regression without fixed effects (Machado and Silva, 2019). Moreover, the technique estimates effects at different quantiles of dividend pay-out; thus, deepening the understanding of the significance of independent variables across the dividend pay-out distribution using the same variables and dataset (Rios-Avila and Maroto, 2022). Equation 1 represents the study model employed by interchanging between YIELD and DPSHARE.

$$YIELD_{it,\gamma} = \alpha_\gamma + \beta_1 FORNCHR_{it,\gamma} + \beta_2 FOREIGN3_{it,\gamma} + \beta_3 NACHAIR_{it,\gamma} + \beta_4 FOREIGN30_{it,\gamma} + \beta_5 NAFR3_{it,\gamma} + \beta_6 NAFREXD_{it,\gamma} + \beta_7 NAFR30_{it,\gamma} + \beta_8 FOEXDLO_{it,\gamma} + \beta_9 FOEQLO_{it,\gamma} + \beta_{10} FORNCHR\#FOEQLO_{it,\gamma} + \beta_{11} FORNCHR\#FOLESLO_{it,\gamma} \beta_{12} ROA_{it,\gamma} + \beta_{13} EPS_{it,\gamma} + \beta_{14} LnFSIZE_{it,\gamma} + \beta_{15} BSIZE_{it,\gamma} + \beta_{16} INDUSTRY_{it,\gamma} + \beta_{17} KENYAN_{it,\gamma} + \beta_{18} PANDEMIC_{it,\gamma} + e_{i,\gamma} \ldots (1)$$

Where: i is specific firm, t is for time dimension while γ is the γ^{th} quantile. α_γ represents the intercept at γ^{th} quantile while $e_{i,\gamma}$ is an error term.

Results

Composition and Chairing of Non-Native Minority Directors

From Table 3, the average board size is 9 directors except for 2023 and 2024, when it is 10 directors. Firm-year observations with at least three foreigners are 38% while those with foreigners making at least 30% are 39%. This study finds 68 of firm-year observations with a foreign chairperson, approximately 14% of all observations. Moreover, a total of 66 firm-year observations have boards with majority foreign directors. Although average board sizes do not vary significantly, the composition and chairing of foreign directors do.

Table 3: Critical Quantities and Board Chair ship of Non-Native Minority Directors

YEAR	Average Board Size	FOREIGN DIRECTORS				NON-AFRICAN DIRECTORS			
		≥3	*≥30 %*	*Chairing*	*Majority*	*≥3*	*≥30 %*	*Chairing*	*Majority*
2014	9	21	20	8	10	24	23	10	12
2015	9	19	19	7	10	23	22	11	11
2016	9	19	19	7	9	22	21	11	10
2017	9	18	18	5	8	20	21	10	8
2018	9	17	16	5	5	21	19	9	9
2019	9	16	17	6	3	20	18	9	9
2020	9	15	16	7	4	16	15	7	6
2021	9	15	15	5	3	17	15	7	5
2022	9	13	15	4	3	15	16	5	7
2023	10	13	13	6	5	15	14	6	7
2024	10	16	15	8	6	15	15	10	7
Total	-	182	183	68	66	208	199	95	91
Percent	-	38%	39%	14%	14%	44%	42%	20%	19%

Source: ***S****tudy Data. Results are sample-wide averages*

On the other hand, firm-year observations with at least three non-African directors are 44% while observations with at least 30% non-African directors are 42%. The total number of observations for which the board chairperson is non-African is 95; equivalent to 20% of all observations. This study finds a total of 91 firm-year observations with a non-African majority on the board. If foreign chairpersons in the sample are 68 while non-African directors are 95, this implies that 27 (95-68) non-African

chairpersons are not foreigners. Moreover, if 66 are observations with majority foreigners and 91 with majority non-African directors, then the number of observations with majority non-African directors who are not foreigners is 25 (91-66). Hence, despite this study being conducted in African majority area, not all non-Africans were foreigners; this implies that there is potential for non-African majority voice not affecting dividend policy if those non-African citizens have already assimilated the dividend culture of indigenous citizens.

Descriptive Statistics

Summary Statistics

Table 4 shows that the average DPSHARE is approximately 5.8, with the highest value of 57, while the average YIELD is 5.2%, with its highest value of 33.2%. The overall board size averages 9 for the whole study period; the smallest being 4, while the largest board has 13 directors. The average profit per ordinary share (EPS) is 11, while the average profit on assets (ROA) stands at 8%. However, loss per ordinary share is as high as 61, and loss on total assets is about 31%.

Table 4: Summary Statistics

Variable	Count	Mean	Std. Dev	Minimum	Maximum
DPSHARE	473	5.766	9.900	0.000	57.000
YIELD	473	0.052	0.050	0.000	0.332
FOREIGN3	473	0.385	0.487	0.000	1.000
NAFR3	473	0.440	0.497	0.000	1.000
FOREIGN30	473	0.387	0.488	0.000	1.000
NAFR30	473	0.421	0.494	0.000	1.000
FORNCHR	473	0.144	0.351	0.000	1.000
NBCHR	473	0.201	0.401	0.000	1.000
NAFREXD	473	0.192	0.395	0.000	1.000
FOLESLO	473	0.810	0.393	0.000	1.000
FOEQLO	473	0.051	0.220	0.000	1.000
FOEXDLO	473	0.140	0.347	0.000	1.000
lnFSIZE	473	10.518	2.025	4.920	14.591
BSIZE	473	8.934	1.892	4.000	13.000
EPS	473	11.091	23.249	-61.366	225.850
ROA	473	0.080	0.128	-0.308	1.000
KENYAN	473	0.679	0.467	0.000	1.000
PANDEMIC	473	0.260	0.439	0.000	1.000
INDUSTRY	473	2.674	1.640	1.000	6.000

Source: Field Data

Correlation and Multicollinearity

Table 5 reveals that the correlation coefficient between dividend yield (YIELD) and dividend per share (DPSHARE) is positive and significant; implying that YIELD increases with increasing DPSHARE, irrespective of how share price varies. Correlation Coefficients between DPSHARE and each of the six variables (FOREIGN3, FOREIGN30, NAFR3, NAFR30, NAFREXD and FOEXDLO) are significant, suggesting that those variables are viable predictors of DPSHARE. On the other hand, the correlation coefficient between YIELD and each of the two variables (NAFREXD and FOEXDLO) is significant. All correlations of either YIELD or DPSHARE with any independent variable are below 0.5.

There are significant correlations between independent variables but the majority of them are below 0.5. Correlations coefficients between independent variables are higher than 0.5 but are below 0.7 are those of FOREIGN3 with NAFR3 and NAFR30; between FOREIGN30 and NAFR3; between FOREIGN30 and FOEXDLO; between NAFREXD and NAFR30 as well as between NBCHR and FORNCHR. While the correlation coefficients were significantly high, they were not alarming enough to warrant further investigation. The correlation coefficient between FOREIGN3 and FOREIGN30, together with that of NAFR3 and NAFR30, is above 0.7, high enough to suggest any of those variables may as well correlate in the model. However, variance inflation factors (VIF) indicate that the mean VIF is 3.2, while the individual VIF value for each variable is below 10, indicating an absence of multicollinearity (Tabachnick & Fidell, 2019). All VIFs of control variables were below 10.

Unit Root and Cointegration Testing

The Harris–Tzavalis unit root test was employed because the number of cross sections was greater than the number of periods (StataCorp, 2024). Only DPSHARE, EPS and InFSIZE are stationary at order one – I(1), whereas the rest of the continuous variables are stationary at level – I(0). (Table 6, *panel A*).

Table 6: Unit root and Cointegration Test Statistics

Panel A: Unit root Test Statistics		
	I(0)	I(1)
YIELD	-8.347***	-
DPSHARE	-1.5689*	-19.709***
EPS	-0.822	-19.305***
lnFSIZE	2.688	-18.784***
BSIZE	-9.997***	-
ROA	-1.793**	-
Panel B: Cointegration Test Statistics		
	Statistics[1]	Statistic[2]
YIELD	35.936***	11.185***
DPSHARE	45.349***	13.350***

Source: *Field Data.* ** p<0.05, *** p<0.01. Note; *Panel A: H_0: Panels contain unit roots. Panel B: Statistics[1]: H_0: No cointegration, H_1: Some panels are cointegrated; Statistic[2]: H_0: No cointegration, H_1: All panels are cointegrated.*

With evidence of nonstationary variables from Table 6 (*Panel A)* a cointegration test was performed to check if dependent variables move with independent variables in the long-run. A Westerlund, (2007) panel cointegration approach was employed, and the statistics show p-values of less than 1%, providing a strong evidence to reject the null hypotheses of no cointegration. Accordingly, DPSHARE and YIELD move with the independent variables in long-run equilibrium (Table 6 *Panel B*).

Regression Results

Effect of Voice of Foreign Minority Directors on Dividend Pay-out

From Table 7, empowering the voice of foreign directors by hiring at least three foreigners (FOREIGN3) negatively affects YIELD at the 95th quantile (γ=95, β=-0.063, p<.01); compared to hiring less than three foreigners. Similarly, constituting a board with at least 30% foreign directors (FOREIGN30) increases YIELD at the 95th quantile (γ=95, β=0.063, p<.05); compared to foreigners constituting less than 30% of all directors. There is no evidence showing that hiring at least three or 30% foreign directors affects either YIELD at the 35th or DPSHARE at the 35th and 95th quantiles. Moreover, if foreigners outnumber indigenous directors (FOEXDLO) then YIELD at the 95th quantile is negatively affected (γ=95, β=-0.076, p<.05); more than if number of foreigners is equal or less than that of indigenous directors. On the other hand, empowering the voice of foreign directors by appointing a foreign chairperson (FORNCHR) positively affects DPSHARE at the 35th (γ=35, β=4.461, p<.01) as well as YIELD at the 35th (γ=35, β=0.051, p<.01) and 95th quantile (γ=95, β=0.116, p<.05) quantiles; compared to when a board chairperson is not a foreigner. Results further reveal that appointing a foreign chairperson while foreigners are less than indigenous directors (FORNCHR#FOLESLO) negatively affects both DPSHARE and YIELD (γ=35, β=-8.737, p<.01; γ=95, β=-22.430, p<.05; γ=35, β=-0.042, p<.01 and γ=95, β=-0.132, p<.01); compared to having an indigenous chair under similar settings. Further, compared to an indigenous chairperson, a foreign chairperson negatively affects YIELD and DPSHARE at the 95th quantiles (γ=95, β=-34.985, p<.01 and γ=95, β=-0.096, p<.01) if the number of foreigners equals that of local directors (FORNCHR#FOEQLO).

Effect of Empowering the Voice of Non-African Directors on Dividend Pay-out

Empowering the voice of non-African directors by hiring at least three of them (NAFR3) affects neither YIELD nor DPSHARE at the 35th or 95th quantiles (Table 7). However, non-African directors constituting at least 30% of all directors (NAFR30) positively affects DPSHARE at the 35th quantile (γ=35, β=2.718, p<.05) - compared to non-African directors comprising less than 30% of directors. Moreover, a board with non-African majority (NAFREXD) tends to cut DPSHARE at the 95th quantile (γ=95, β=-9.315, p<.05) but increase YIELD at the same quantile (γ=95, β=0.050, p<.05); compared to cases where the number of non-African director is equal or less than that of African directors. Results provide no evidence to support that a non-African chairperson (NBCHR) would positively affect either YIELD or DPSHARE.

Effect of Control Variables on Dividend Pay-out

First, ROA positively affects YIELD and DPSHARE at both the 35th and 95th quantiles (γ=35, β=25.395, γ=95, p<.01; β=81.499, γ=35, p<.01; β=0.111, p<.01 and γ=95, β=0.144, p<.01) (Table 7). However, EPS only affects DPSHARE at the 35th quantile (γ=35, β=0.035, p<.05). Second, endowment of human capital

(BSIZE) only affects dividend yield at the 95th quantile (γ=95, β=0.007, p<.05) but endowment of financial capital (lnFSIZE) does not affect DPSHARE or YIELD. Third, firms listed in the Kenyan market (KENYAN) have higher YIELD in the 35th and 95th quantiles (γ=35, β=0.019, p<.01 and γ=95, β=0.022, p<.1) but lower DPSHARE in the 35th quantiles (γ=35, β=-1.992, p<.01) compared to those listed in the Tanzanian market. Years of the corona outbreak (PANDEMIC) only negatively affected dividend yield at the 95th quantile (γ=95, β=-0.028, p<.05) compared to other years.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) DPSHARE	1.000										
(2) YIELD	0.337*	1.000									
(3) FOREIGN3	0.259*	0.023	1.000								
(4) NAFR3	0.242*	0.045	0.683*	1.000							
(5) FOREIGN30	0.258*	0.000	0.915*	0.634*	1.000						
(6) NAFR30	0.262*	0.015	0.690*	0.893*	0.704*	1.000					
(7) FORNCHR	0.036	0.019	0.209*	0.341*	0.231*	0.371*	1.000				
(8) NBCHR	0.038	0.003	0.211*	0.385*	0.284*	0.439*	0.697*	1.000			
(9) NAFREXD	0.166*	0.116*	0.485*	0.551*	0.449*	0.573*	0.197*	0.371*	1.000		
(10) FOEQLO	0.063	-0.093*	0.273*	0.145*	0.291*	0.174*	-0.040	0.004	0.083	1.000	
(11) FOEXDLO	0.184*	0.010	0.509*	0.368*	0.507*	0.386*	0.305*	0.270*	0.345*	-0.093*	1.000
VIF	3.213										
Mean VIF			9.158	6.518	8.845	7.142	2.711	2.923	1.938	1.280	1.948

Table 7: Effect of Voice of Non-Native Minority Directors on Dividend Pay-out

	DPSHARE[1]		YIELD	
VARIABLES	**qtile_35**	**qtile_95**	**qtile_35**	**qtile_95**
FOREIGN3	1.083	-6.086	-0.004	-0.063***
	(0.980)	(5.119)	(0.009)	(0.020)
NAFR3	1.681	8.422	-0.004	0.045
	(1.143)	(5.589)	(0.010)	(0.040)
FOREIGN30	0.301	5.469	0.008	0.063**
	(1.026)	(5.280)	(0.009)	(0.027)
NAFR30	2.718**	-1.479	0.010	-0.043
	(1.307)	(5.753)	(0.010)	(0.047)
FORNCHR	4.461***	7.797	0.051***	0.116***
	(1.436)	(8.396)	(0.011)	(0.026)
NBCHR	-0.348	3.788	-0.011	-0.015
	(0.613)	(3.923)	(0.007)	(0.020)
NAFREXD	-1.037	-9.315**	0.001	0.050***
	(0.994)	(4.044)	(0.006)	(0.016)
FOEQLO	-2.239	4.549	-0.011	-0.058**
	(1.370)	(6.912)	(0.007)	(0.023)
FOEXDLO	-1.274	-3.808	-0.008	-0.076***
	(1.228)	(5.463)	(0.006)	(0.019)
FORNCHR#FOEQLO	-0.527	-34.985***	-0.002	-0.096***
	(2.187)	(10.794)	(0.012)	(0.032)
FORNCHR#FOLESLO	-8.737***	-22.430**	-0.042***	-0.132***
	(1.773)	(9.118)	(0.012)	(0.027)
lnFSIZE[1]	-2.463	-9.800	-0.009	-0.028
	(1.520)	(8.236)	(0.013)	(0.057)
BSIZE	-0.058	0.804	0.002	0.007**
	(0.159)	(0.991)	(0.001)	(0.003)
EPS[1]	0.035**	0.058	0.000	0.000
	(0.017)	(0.178)	(0.000)	(0.001)
ROA	25.395***	81.499***	0.111***	0.144***
	(4.279)	(15.351)	(0.013)	(0.031)
KENYAN	-1.992***	0.687	0.019***	0.022*
	(0.651)	(3.224)	(0.004)	(0.011)
PANDEMIC	-0.399	-3.980	-0.005	-0.028**
	(0.489)	(2.892)	(0.004)	(0.011)
C.GOODS	3.750***	25.998***	-0.029***	-0.050***
	(1.081)	(5.793)	(0.005)	(0.014)
C.SERVICES	-3.025***	-2.235	-0.034***	-0.069***
	(0.720)	(5.094)	(0.006)	(0.013)
INDUSTRIAL	-1.817**	-1.448	-0.007	-0.011
	(0.824)	(4.500)	(0.008)	(0.018)
INSURANCE	-0.824	-7.791**	-0.019***	-0.015
	(0.557)	(3.495)	(0.006)	(0.019)
TELECOM	-10.798***	-15.465**	-0.049***	-0.066***
	(1.299)	(6.092)	(0.007)	(0.019)
CONSTANT	1.737	8.501	0.004	0.077**
	(1.467)	(9.895)	(0.013)	(0.030)
Observations	*430*	*430*	*430*	*430*

Source: Study Data. Note: [1]variable employed in the first differences.
Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Comparing with firms in the banking industry, firms belonging to the consumer goods group (C.GOODS) had a higher DPSHARE (γ=35, β=3.750, p<.01 and γ=95, β=25.998, p<.01) but a lower YIELD (γ=35, β=-0.029, p<.01 and γ=95, β=-0.050, p<.01); implying that, despite paying higher dividend per share, their share price was higher than that in the banking industry. Firms in consumer services (C. SERVICES) have lower DPSHARE at the 35th quantile (γ=35, β=-3.025, p<.01) and lower YIELD at the 35th and 95th quantiles (γ=35, β=-0.034, p<.01 and γ=95, β=-0.069, p<.01) relative to those in the banking industry. Those in the industrials (INDUSTRIALS), sector only have lower DPSHARE at the 35th quantile (γ=35, β=-1.817, p<.05). Similarly, firms in the insurance (INSURANCE) sector exhibit lower DPSHARE at the 95th quantile (γ=95, β=-7.791, p<.05) and lower YIELD at the 35th quantile (γ=95, β=-0.019, p<.01). Lastly, firms in telecommunications (TELECOM) have both lower DPSHARE and YIELD at the 35th and

95th quantiles (γ=35, β=-10.798, p<.01; γ=95, β=-15.465, p<.05; γ=35, β=-0.049, p<.01; γ=95, β=-0.066, p<.01) relative to those in the banking industry.

Results of Hypothesis Testing

Outcomes of hypothesis testing are three-fold. First, some of the hypotheses were supported because both the relationship and its direction were as the study anticipated. Secondly, some other hypotheses support a relationship but in the opposite direction compared to what the study anticipated. Thirdly, this study finds no support for only two hypotheses. A Summary of hypothesis testing results is presented in Table 8.

Table 8: Hypothesis versus Findings of the Study

Hypothesis	Findings
H_1 A board composed of at least three foreign directors positively affects dividend pay-out.	Relationship supported, but the effect is negative
H_2 A board composed of at least 30% foreign directors positively affects dividend pay-out.	Supported
H_3 A board composed of majority foreign directors positively affects dividend pay-out.	Relationship supported, but the effect is negative
H_4 A foreign board chairperson positively affects dividend pay-out.	Supported
H_5 A board composed of at least three non-African directors positively affects dividend pay-out.	Supported
H_6 A board composed of at least 30% non-African directors positively affects dividend pay-out.	Supported
H_7 A board composed of majority of non-African directors positively affects dividend pay-out.	Supported; direction differs between dividend yield and dividend per share
H_8 A non-African board chairperson positively affects dividend pay-out.	Not supported

Discussion of Results

Policies of fostering board diversity are useful instruments for shaping dividend policies by mitigating undesirable policies (Khiar & Kooli, 2023; Mirzoyan et al., 2025; Shehata, 2022; Yousef et al., 2025). This study provides possible approaches to improve dividend policy and saves firms from embarking on symbolic attempts to achieve it First, either hiring a critical quantity or appointing a foreign chairperson empowers the voice of foreign directors to shape dividend policy; which is consistent with Tao et al. (2022) and Yousef et al. (2025) in showing that the influence of minority directors matters in shaping dividend policy. Secondly, regardless of the proportion of foreign directors on the board, appointing a foreign chairperson can substantially influence dividend policy. Thirdly, either hiring at least three or appointing a non-African board chairperson may not influence dividend policy. Nonetheless, if non-African directors either compose at least 30% of board size or are the majority, then they can influence dividend decisions, hence supporting Khan and Baker (2023) that a critical percentage of minority directors can sufficiently influence dividend policy.

Hiring either three foreigners or foreigners composing 30% of board size influences dividend pay-out in the same way as appointing a foreign board chairperson. This finding supports the Critical Mass Theory, by highlighting mechanisms of enabling the voice of foreign director to influence dividend decisions. From the Critical Mass Theory, the voice of foreign directors will be heard on the board if they attain a critical quantity of three directors (Campopiano et al., 2023; Khan et al., 2022) or make up 30% of all directors (Caby et al., 2024). Accordingly, satisfying a critical quantity implies that foreign directors become 'relevant' among indigenous directors, hence, being noticeably audible enough to defend their willingness to influence dividend policy (Lefley & Janeček, 2024; Pinheiro et al., 2024). Appointing a board chairperson who is a foreigner equally empowers the voice of minority foreign directors; because that leading position gives foreign directors a special prerogative through their fellow board chairperson (Chaudhry et al., 2020; Dobija et al., 2022). The majority of foreigners and foreign chairpersons in the study data are from developed countries, suggesting that having a stronger voice of foreign directors and foreign chairpersons will influence dividend policy; this may explain why the voice of foreign directors matters for dividend policy in the context of Kenya and Tanzania (La Porta et al., 2000).

With respect to non-African minority diversity, this study finds that when non-African directors compose at least 30% of all directors, as well as when board have an absolute majority of non-African directors this affects dividend policy; hence, supporting the Critical Mass Theory that upon reaching 30% of non-African directors on the board, dividend policy can be influenced (Caby et al., 2024). However, this study finds that neither appointing a non-African board chairperson nor hiring at least three non-African directors affect dividend policy. Upon probing why a critical mass of three or enabling the voice of non-African directors by appointing a non-African chairperson does not affect dividend policy, this study uncovers that there are many non-African directors who are citizens of these countries. Probably, non-African citizens might have adopted perspectives of indigenous directors such that they do not change dividend policy anymore. However, after attaining an absolute majority, non-Africans affect dividend policy, suggesting that the number of non-African foreigners would have increased to make critical quantities a reality.

Conclusion

This study examines the effects of the voice of non-native minority directors on dividend policy using data from listed firms in Tanzania and Kenya. It contributes to the corporate governance and dividend policy literature by identifying mechanisms linking the voice of non-native minority directors with dividend policy through formulations from the Critical Mass Theory, supporting the proposition that a minority group gains a voice after either attaining a critical quantity or holding a power position (Caby et al., 2024; Campopiano et al., 2023; Dobija et al., 2022; Vairavan & Zhang, 2020).

Limitations and Future studies

First, this study was based on two developing-countries contexts, and its generalizability to contexts that are legally, ideologically or culturally different may therefore be limited. A future study may examine similar phenomena across countries of different regulatory and socio-economic contexts to enhance generalizability. Second, this study employs a quantitative approach that only relies on quantifiable data without associating it with qualitative information. A future study might deepen the analyzing of dynamics of board interactions; for instance, finding out if foreign chairpersons preside overboard meetings uniquely enough to achieve distinctive dividend decisions. Third, this study assumes that a non-native status has what it takes to influence dividend policy. A follow up study may find out whether there are any other mechanisms of influencing dividend policy that are directly associated with a non-native status, for instance, whether there are unique status linked to that attribute such that directors become influential in board decisions.

A follow up study may examine whether familiarity of a minority with the larger group makes it cease to influence ` helping firms realise benefits of international diversity. The findings alert governance advisors to approaches for implementing and promoting effective international board diversity.

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Appendix I: List of Firms Used

Firm Name	Country	Firm Name	Country
ABSA Bank	Kenya	East African Breweries Limited	Kenya
Cooperative Bank Kenya	Kenya	East African Cables Limited	Kenya
DTB Bank	Kenya	Nairobi Security Exchange	Kenya
Equity Bank	Kenya	Safaricom	Kenya
HF Group	Kenya	TPS East Africa	Kenya
IM Bank	Kenya	Kenya Re-insurance	Kenya
KCB Bank	Kenya	KenGen	Kenya
NCBA Bank	Kenya	Longhorn Publishers	Kenya
Stanbic Bank	Kenya	CRDB Bank	Tanzania
Standard Chartered Bank	Kenya	Dar es Salaam Community Bank	Tanzania
Bamburi Cement	Kenya	Maendeleo Bank	Tanzania
British American Tobacco	Kenya	Mkombozi Bank	Tanzania
BOC Gases	Kenya	NMB Bank	Tanzania
Kakuzi	Kenya	Tanga Cement	Tanzania
Kapchorua	Kenya	Tanzania Breweries Limited	Tanzania
Sasini	Kenya	Tanzania Cigarettes Company Limited	Tanzania
Unga Limited	Kenya	TOL Gases	Tanzania
Britam Insurance	Kenya	Twiga Cement	Tanzania
Centum Investment	Kenya	Swissport	Tanzania
Jubilee Holdings	Kenya	Vodacom	Tanzania
Total Energies	Kenya	Dar es Salaam Stock Exchange	Tanzania
Standard Group	Kenya		

Source: Field Data