



**An-Najah National University
Faculty of Graduate Studies**

**THE IMPACT OF THE DIVIDEND POLICY ON
THE STOCK PRICES: (AN EMPIRICAL STUDY
OF LISTED COMPANIES ON THE MENA
EXCHANGES FOR THE PERIOD 2014-2023)**

**By
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Dedication

قال تعالى: ﴿ وَمَا تَوْفِيقِي إِلَّا بِاللَّهِ عَلَيْهِ تَوَكَّلْتُ وَإِلَيْهِ أُنِيبُ ﴾ [هود: 88]

الْحَمْدُ لِلَّهِ الَّذِي بِنِعْمَتِهِ تَتِمُّ الصَّالِحَاتُ، وَبِفَضْلِهِ تَنْتَبِهُرُ الْخَطُوبَاتُ، وَبِكَرَمِهِ وَمَنِّهِ يَكْتَمِلُ الْجُهْدُ وَيُنْمِرُ.

إِلَى فِلَسْطِينِ، الْجُرْحِ الَّذِي لَا يَنْزِفُ صَعْفًا، بَلْ يَفِيضُ عِزَّةً وَكِبْرِيَاءً... وَإِلَى غَزَّةَ، الْقَلْعَةِ الَّتِي عَلَّمْتَنِي أَنَّ الصُّمُودَ هُوَ أَعْظَمُ انْتِصَارٍ، أَهْدَيْكُمَا هَذَا النَّجَاحَ وَلَاءٍ وَإِيمَانٍ بَأَنَّ الْأَمَلَ يُوَلَّدُ مِنْ رَحِمِ الْأَلَمِ.

إِلَى أَسَاتِدَتِي الْكِرَامِ، وَمُشْرِفِي الْأَفَاضِلِ الدُّكْتُورِ سَامِحِ الْعَطْعُوطِ وَالْأُسْتَاذِ الدُّكْتُورِ عَبْدِ النَّاصِرِ نُورِ، وَإِلَى الدُّكْتُورِ غَسَّانِ دَعَّاسِ، أَنْتُمْ مَنَارَاتُ هَذَا الطَّرِيقِ، وَأَنْتُمْ عِلْمُكُمْ فِي حَيَاتِي بَاقٍ مَا حَيَّيْتُ.

إِلَى عَائِلَتِي الْحَبِيبَةِ... وَالذِّيِّ الْعَالِيَيْنِ، سَنَدِي وَدَعَمِي وَدُعَائِي الَّذِي يَسْبِغُنِي، وَإِخْوَتِي وَأَخَوَاتِي الَّذِينَ كَانُوا الضَّحْكَةَ فِي التَّعَبِ وَالْكَثْفِ فِي الشَّدَائِدِ.

إِلَى أَوْلَادِي الْأَوْفِيَاءِ، الَّذِينَ كَانُوا الْحُضُورَ الدَّافِيَّ فِي كُلِّ مَحَطَّاتِ الرِّحْلَةِ، وَرُقُقَاءَ الدَّرْبِ فِي لَحْظَاتِ النَّحْيِ وَالْإِنْجَازِ.

وَإِلَى مُدِيرِي فِي الْعَمَلِ [ناصر القرعاوي]، الَّذِي كَانَ دَعْمُهُ وَتَشْجِيعُهُ امْتِدَادًا لِقُوَّةٍ مَعْنَوِيَّةٍ سَانَدْتَنِي، وَإِلَى أَوْلَادِهِ الْأَعْرَاءِ، أَنْتُمْ جُزءٌ مِنْ هَذَا النَّجَاحِ لِثِقَتِكُمْ بِي وَدَعْمِكُمْ الَّذِي كَانَ حَافِزًا لِاسْتِمْرَارِي وَتَمَيِّزِي أَهْدَيْكُمْ جَمِيعًا جُزءًا مِنْ هَذَا النَّجَاحِ، فَهُوَ مِنْكُمْ وَلَكُمْ.

وَأخِيرًا إِلَى كُلِّ مَنْ حَمَلَ عَنِّي حُزْنًا أَوْ رَسَمَ عَلَيَّ وَجْهِي ابْتِسَامَةً أَوْ مَنَحَنِي كَلِمَةً صَادِقَةً فِي وَقْتِهَا، أَنْتُمْ جُزءٌ مِنْ هَذَا الْإِنْجَازِ

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﴿ وَقَالَ رَبِّ أَوْزِعْنِي أَنْ أَشْكُرَ ﴾ [النمل: 19]

بعد الحمد لله رب العالمين الرزاق الكريم على ما أنعمه عليّ برفعي درجة علمية ثانية ... والصلاة والسلام على أشرف الخلق والمرسلين سيدنا محمد صل الله عليه وسلم.

الحمد لله الذي علّم الإنسان ما لم يعلم، ووفّقني بفضلِهِ وَكَرَمِهِ لِإِنجَازِ هَذَا الْعَمَلِ الْعِلْمِيِّ، الَّذِي مَا كَانَ لِيَرَى النُّورَ لَوْلَا تَوْفِيقُ اللَّهِ أَوْلًا، ثُمَّ دَعَمَ مِنْ أَمَنِ بِي وَسَانَدَنِي.

أَقَدَّمُ بِجَزِيلِ الشُّكْرِ وَالْإِمْتِنَانِ لِكُلِّ مَنْ رَافَقَنِي فِي هَذِهِ الرَّحْلَةِ، الَّتِي كَانَتْ مَلِيئَةً بِالتَّحَدِّيَّاتِ، لَكِنَّهَا غَنِيَّةٌ بِالخِبْرَاتِ وَالْمَعْرِفَةِ وَالْإِلْهَامِ.

شُكْرِي الْعَمِيقُ وَالْخَاصُّ إِلَيَّ مُشْرِفِي الْأَوَّلِ، الدُّكْتُورِ سَامِحِ الْعُطُوطِ، الَّذِي مَنَحَنِي مِنْ وَقْتِهِ وَجُهْدِهِ مَا لَا يُقَدَّرُ بِثَمَنِ، فَكَانَ تَوْجِيهَهُ النَّبِيلُ نَبْرَاسًا أَنَارَ لِي طَرِيقَ البَحْثِ.

وَالِي مُشْرِفِي الثَّانِي، الأُسْتَاذِ الدُّكْتُورِ عَبْدِ النَّاصِرِ نُورِ، الَّذِي أَحَاطَنِي بِعِلْمِهِ الوَاسِعِ، وَحِرْصِهِ عَلَى أَدَقِّ النِّفَاصِيلِ، فَكَانَ لِمُلاحَظَاتِهِ الْعِلْمِيَّةِ الرَّفِيعَةِ بَالِغَ الأَثَرِ فِي تَعزِيزِ جَوْدَةِ هَذَا الْعَمَلِ.

كَذَلِكَ لَا يُفَوِّتُنِي أَنْ أَتَوَجَّهَ بِكُلِّ التَّقْدِيرِ إِلَى الدُّكْتُورِ غَسَّانِ دَعَّاسِ، الَّذِي قَدَّمَ لِي دَعْمًا تَحْلِيلِيًّا عَمِيقًا، وَكَانَ لِمَهْنَتِهِ الْعَالِيَةِ وَبَصِيرَتِهِ الْإِحْصَائِيَّةِ دَوْرَ مَحَوْرِيٍّ فِي إِثْرَاءِ التَّحْلِيلِ الكَمِّيِّ لِلرِّسَالَةِ.

كُلُّ الإِمْتِنَانِ أَيْضًا لِجَامِعَةِ النُّجَاحِ الوُطْنِيَّةِ، مَنَارَةِ الْعِلْمِ فِي وَطَنِي، الَّتِي كَانَتْ الحَاضِنَةَ لِهَذَا الإِنجَازِ، وَلِأَسَاتِدَتِهَا الَّذِينَ يَزْرَعُونَ فِيْنَا حُبَّ الْمَعْرِفَةِ وَرُوحَ البَحْثِ..

Declaration

I, the undersigned, declare that I submitted the thesis entitled:

THE IMPACT OF THE DIVIDEND POLICY ON THE STOCK PRICES: (AN EMPIRICAL STUDY OF LISTED COMPANIES ON THE MENA EXCHANGES FOR THE PERIOD 2014-2023)

I declare that the work provided in this thesis, unless otherwise referenced, is the researcher's own work, and has not been submitted elsewhere for any other degree or qualification.

Student's Name

Maysaa Ezalden Yahya Al-Omari

Signature:

Maysaa Al-Omari

Date:

22/06/2026

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THE IMPACT OF THE DIVIDEND POLICY ON THE STOCK PRICES: (AN EMPIRICAL STUDY OF LISTED COMPANIES ON THE MENA EXCHANGES FOR THE PERIOD 2014-2023)

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Abstract

This study investigates the impact of Dividend Policy (DP) on the stock prices of the companies which are listed on MENA exchanges from 2014 to 2024. It includes two main variables: independent and dependent. The former includes a number of indicators to measure the DP, namely: profit retention rate, dividend yield, dividends per share, growth, and earnings per share. On the other hand, the latter includes stock prices at the end of the fiscal year and control variables, namely: company size, financial leverage, and profitability. It employs the quantitative approach depending on descriptive analytical approach to test hypotheses. The sample represents (195) companies in sectors of banking and insurance distributed across the nine financial markets. The analysis of the data has been done by using fixed and random effects linear regression models.

Results demonstrated that retention rate of earnings, dividend yield, dividends per share, and growth influence stock prices. The sharp increase in the variables was connected with higher stock prices on some stock exchanges which reflects the confidence of investors and companies' stability related to financial policies. Consequently, it has been seen that financial leverage has a great influence on stock prices because of the increase in financial risks. It is concluded that adopting balanced DP is vital and goes hand in hand with financial performance highlighting investment opportunities which stabilize stock prices and attract investors. As a result, other studies advise studying the influence of macroeconomic changes and changes in fiscal and monetary policies on the relationship between dividend policy and stock prices.

Keywords: Dividend Policy, Stock Prices, Retention rate, Dividend yield, Dividends per share, Growth, Earnings per share, Listed Companies, MENA exchanges.

Chapter One

General Framework of the Study and Literature Review

1.1 Introduction

In light of rapid economic shifts and financial globalization, global financial markets have undergone regulatory reforms to enhance their competitiveness and attract investments. In addition, conventional ways of raising capital have evolved through the integration of financial technologies, governance, and transparency (Sbai, Ed-Dafali, Meghouar, & Mohiuddin, 2024; Yousef, Tanna, & Patra, 2021). Prudent financial planning, especially dividend policy, has gained prominence in directly influencing the stock value and performance of corporations. This led the investor to focus more on the correlation between stock prices and dividends when the economy is experiencing frequent crises (Krieger, Mauck, & Pruitt, 2021; Tahu & Yuesti, 2023).

A dividend policy A dividend policy is a significant financial decision that involves paying out returns on investment to shareholders. Every company in a specific industry has a distinct dividend payment pattern or dividend policy, which serves as a financial indicator for the company. As a result, a firm's dividend policy should have an impact on the demand for its stock (Ukpong & Ukpe, 2023). A well-structured dividend policy can attract investors, affect demand for the company's shares, and impact market valuation (Ali, Saeed, & Khalid, 2023; Olubiyi, 2023; Septiani, Ariyani, & Ispriyahadi, 2020; Baskin, 1989). Therefore, managers should implement the best dividend policy that can balance between short-term dividend payments and long-term developments to enable maximization of shareholders' wealth and firm value (Safiq & Yulianti, 2024).

The firm's dividend strategy significantly influences its investment flexibility and stock market performance. Evidence shows that dividend per share, retention ratio, return on equity, dividend yield, and earnings per share are equally important in determining stock prices. A higher dividend per share attracts investors by offering immediate returns (Usman, Lestari, & Sofyan, 2020; Ohiaeri, Akinbowale, & Ogumeru, 2019). The retention ratio reflects a company's ability to reinvest profits for future growth (Goenawan & Subandriyo, 2021). also reflects a strong return on equity signals efficient management and profitability (Jalal, Alkoni, & Nour, 2023). The dividend yield concept helps investors gauge an annual investment return and can increase their interest when

the dividend is high (Warrad, 2017). Finally, earnings per share are an indicator of a company's profitability and market value, which affects investor choices and helps increase the stock price (Mohammad, Nour, & Al-Atoot, 2024; Ahmad & Alrjoub, 2018).

Accordingly, between 2014 and 2024, the financial sectors in the Gulf, Jordan, and Palestine experienced notable shifts driven by oil price changes, economic reforms, and regional instability. In the Gulf, the 2014–2016 oil price drop strained liquidity and reduced dividends; however, initiatives such as Saudi Vision 2030 and the post-2021 oil recovery supported sector growth and a resurgence in dividends (Alasfour, Jaara, & Abusaleem, 2024; Khalaf, 2022). Jordan maintained financial stability through Central Bank policies, with modest dividends before COVID-19 and rising profitability from 2022 in banking and insurance (Septiani, Ariyani, & Ispriyahadi, 2020). Despite political and economic challenges, Palestinian banks and insurers preserved dividend stability through cost efficiency and operational improvements (Alslaibi, 2024; ZaArir & Ramli, 2024).

In summary, the Palestine Stock Exchange, the Amman Stock Exchange, and the Gulf stock exchanges involve a variety of economic and political backgrounds. They have a unique perspective on studying the effect of dividend policy on stock prices. Palestinian firms face resource constraints and political instability due to the Israeli occupation and limited freedom of movement of goods and people (Dwikat, Arshad, & Mohd Shariff, 2023). In Jordan, the banking industry has been relatively stable with sensible monetary policies of the Central Bank. The insurance industry has been recording stable growth, fueled by surging demand despite economic hardships and the COVID-19 pandemic. On the contrary, Gulf stock exchanges depend on well-established economic conditions premised on financial surpluses from oil prices, even though they struggle with swings in prices, which is a major challenge, as well as the pursuit of a diversified, non-oil economy (Al-Omari, Oroud, Makhlouf, Alshehadeh, & Al-Khawaja, 2024; Alasfour, Jaara, & Abusaleem, 2024).

Although a substantial body of literature has examined the relationship between dividend policy and stock prices, the findings remain inconclusive and often context-dependent. Differences in economic conditions, regulatory environments, and levels of market development can lead to varying impacts of dividend decisions on stock performance.

This issue is particularly relevant in Arab financial markets, which exhibit significant diversity in terms of economic structure, institutional frameworks, and market maturity.

In light of the above, this study aims to examine how dividend policy affects stock prices in companies listed on nine Arab stock exchanges: Palestine, Amman, Kuwait, Bahrain, Qatar, Saudi Arabia (Tadawul), Muscat, Abu Dhabi, and Dubai. Specifically, the study focuses on key financial indicators such as dividend per share, retention ratio, return on equity, dividend yield, and earnings per share, in order to provide a comprehensive understanding

1.2 Problem Statement

Internationally speaking, highly competitive companies especially in developing countries employ dividend policies heavily especially listed companies which should keep a balance between shareholders and objectives' success (Lavanya, 2021; Goenawan & Subandriyo, 2021). They also guide investor decisions, influence stock valuations over short- and long-term periods (Tahu & Yuesti, 2023).

Arab financial markets allow foreign investors and globalization advances in order to understand how the world see dividend policies and their impact on stock performance. Yet, the majority of the studies on developing economies neglect Arab markets which are run by following district regulations and dynamics of the market (Sbai, Ed-Dafali, Meghouar, & Mohiuddin, 2024; Ali Taher & Al-Shboul, 2023; Koleosho, Akintoye, & Ajibade, 2022).

Therefore, this study aims to fill this gap by providing empirical evidence from nine Arab stock exchanges. It also aims to examine how dividend policy can affect stock prices in such markets and provide decision-makers and investors with the knowledge to develop an effective dividend policy. Thus, the interests of shareholders are satisfied while maintaining a stable stock market value in an environment of volatility and ever-changing circumstances.

Accordingly, this study aims to answer the following main questions:

1. What impact does the Dividend Policy have on the stock prices of listed companies on the MENA exchanges for the period 2014- 2024?

- a. What is the effect of the earnings retention ratio on stock prices of listed companies in MENA stock exchanges?
 - b. How does dividend yield influence stock prices of listed companies in MENA stock exchanges?
 - c. What is the impact of dividends per share on stock prices of listed companies in MENA stock exchanges?
 - d. How does firm growth affect stock prices of listed companies in MENA stock exchanges?
 - e. What is the effect of earnings per share on stock prices of listed companies in MENA stock exchanges?
2. What other factors (such as leverage, size of the company, return on assets and return on equity) might impact how these financial policies affect the stock prices of listed companies on the MENA exchanges for the period 2014- 2024?

1.3 Importance of the Study

This study focuses on examining the effect of dividend policy on stock price and this will be observed by analyzing companies listed on 9 Arab Stock Exchanges which include the Palestine Stock Exchange, the Amman Stock Exchange, the Kuwait Stock Exchange, the Bahrain Stock Exchange, the Qatar Stock Exchange, the Saudi Stock Exchange (Tadawul), the Muscat Securities Market, the Abu Dhabi Securities Market and the Dubai Financial Market which represent the financial markets in the MENA Exchanges. It also has many specific applications in the insurance and banking fields in the MENA region.

It makes it clear: transparency and strong financial reporting regarding dividend policies are crucial if stable, sustainable markets are the goal (Purwaningsih, 2020; Warrad, 2017). When companies are required to clearly outline their dividend strategies and show how these relate to real financial outcomes, everyone—investors, regulators—gets a better understanding.

The listed companies in the Arab stock exchange urge to maintain share value and get more investors in order to keep competition and face economic and political challenges. This study focuses on the weaknesses of poorly communicated divided strategies leading to undermining markets and killing the economic growth leading to the reduction of oil

revenues and weakening infrastructure and innovation.

Closing information gaps and keeping dividend decisions' transparency strengthens markets' efficiency giving policy makers insights for passing laws promoting market development and long-term benefits.

1.4 Objectives

Dividend distribution is an indicator that reflects a company's performance and financial stability in the market. Therefore, this study aims to examine the direct impact of independent variables (dividend distribution policy) on the stock prices of companies listed on stock exchanges in the Middle East and North Africa region. The study covers the period from 2014 to 2024.

Hence, the objectives can be summarized as follows:

1. Determining the impact of dividend policy on the stock prices of listed companies on the MENA exchanges
 - a) To examine the impact of earnings retention rate on the stock prices of listed companies on the MENA exchanges
 - b) To investigate the impact of dividend yield impacts the stock prices of listed companies on the MENA exchanges.
 - c) To analyze the impact of dividends per share on the stock prices of listed companies on the MENA exchanges.
 - d) To assess the impact of growth the stock prices of listed companies on the MENA exchanges.
 - e) To evaluate the effect of earnings per share on stock prices of listed companies in MENA stock exchanges.
2. Examining the impacts of control variables ((such as leverage, size of the company, return on assets and return on equity) on stock prices of listed companies on the MENA exchanges.

1.5 Theoretical Framework

This section discusses the main related theories and concepts relevant to the topic under discussion, the regulatory and legal landscape of accounting. This paper will be concerned with the effect of dividend policy on stock prices with emphasis on the retention ratio, dividend yield and dividend per share. It deals with key financial indicator and elements such as return on equity, earnings per share, and financial leverage, company size, profitability, and growth are considered as well, providing insight into the key drivers of stock value.

1.5.2 Dividend Policy

It is well-known that dividend policy deals with how a company employs its profits by paying dividend to shareholders or keep earnings for reinvestments (Oktafiani, Irdiana, Moridu, Latuni, & Sesario, 2022). It needs gaining balance returns to investors with funding for future growth (Sbai, Ed-Dafali, Meghouar, & Mohiuddin, 2024; Purwaningsih, 2020).

Distributing larger dividends means having less capital available for operations and growth. Therefore, the approach a company takes to manage its dividend policy significantly affects its financial health, growth prospects, and long-term stability.

The Dividend Policy of the corporation refers to the decision of whether to reinvest earnings or pay out dividends (Nurwulandari, 2020). Retained earnings are decreased by dividend payments, which hinders a firm's expansion. A rise in the dividend could be interpreted as a sign of increasing earnings. Investors will buy firm shares if dividends are appealing. In response, the stock price will increase. In fact, the firm's dividend policy may serve as a barometer of its success (Maulidina, Paramita, & Taufiq, 2021; Kanakriyah, 2020). News of dividends will influence the supply and demand of a firm's shares on the capital market, which will, in turn, impact the stock price. Higher stock prices are associated with a positive signal from the manager to investors, in the form of increased dividend payments to stockholders (Margono & Gantino, 2021).

Developing a Dividend Policy, an organization must keep in mind two major goals: obtaining sufficient funds to distribute dividends and controlling the method of distributing among stockholders (Hasan & Al-Najjar, 2024). There are two broad

categories of dividends, cash dividends and stock dividends. Cash dividends can be classified into several types, one of which is the fixed dividend policy, under which a certain percentage of the company's profits is paid as a fixed rate, approved annually. The regular dividend policies are based on the regularity of situations where cash dividends are paid at certain set frequencies, but not on a fixed amount based on the firm's income (Maulidina, Paramita, & Taufiq, 2021). These are also available in the form of variable and split dividends, which are operations whose distribution is based on the times when the company is making secondary profits and are applied in firms that make unpredictable profits. Stock dividends involve issuing free shares rather than paying cash dividends. The number of free shares is determined by the percentage of distributable profits that is allocated to them.

Additionally, the nominal value of the share is reduced, which increases the number of distributed shares. Finally, stock buybacks are a process by which a company repurchases a portion of its shares from the market to reduce the number of shares outstanding. This process is carried out in three ways: either by purchasing shares directly (treasury stock), through the open market, or by offering purchase offers (offers tendered) to shareholders (Prakash & Yogesh, 2025).

One of the most significant decisions managers make yearly is dividend distribution. Dividends are proportions of profits that are not used in reinvesting in the business in a particular year, but are actually given to the shareholders as their current returns (Khalaf, 2022). The decisions made by financial managers can be classified into two groups, investment decisions and financing decisions. One of the financing decisions that can influence how much of the profits are devoted to shareholders, as opposed to the profits that the company will keep and reinvest, is dividend distribution (Lin, Liao, & Xie, 2023). The Dividend Policy influences dividend paying, which is the approach a company adopts to calculate the amount and trend of dividends. This policy is developed by the firm's board of directors and is informed by their input, as well as that of senior management. Mahirun, Jannati, Kushermanto, & Prasetiani's (2023) study indicates that agency conflicts between management and investors influence Dividend Policy and are a response to investor preferences (Akhmadi & Robiyanto, 2020). Dividend Policy has been employed as an instrument to determine a firm's future performance, where companies adhere to these policies to convey explicit messages about their future,

including future expansion and growth (Koleosho, Akintoye, & Ajibade, 2022; Maulidina, Paramita, & Taufiq, 2021). Moreover, Dividend Policy is influenced by several interconnected factors that reflect an organization's objectives, primarily maximizing the market value of its shares and balancing its expansion needs with shareholders' rights (Wahjudi, 2020). The most notable of these factors are the legal restrictions by legislations which are deployed to protect the rights of the shareholders and creditors, these include the net profit rule which mandates that only current or previous profits be used in payment of dividends; insolvency provisions, which block payment of dividends when the business lacks a liquidity buffer; and capital dilution provisions, which guard the capital against inflation.

Agreements in contracts with shareholders influence the company's dividend decisions because they impose conditions and obligations that should be met to continue in the company (Danila, Noreen, Azizan, Farid, & Ahmed, 2020). The main aim there is to ensure the payment of debts and protecting the company's stability in order to avoid future conflicts with shareholders.

An organization's operational and financial factors also play an important role in determining Dividend Policy (Yousef, Tanna, & Patra, 2021). For example, high-growth organizations tend to retain their earnings for future investments, whereas slow-growth organizations must distribute a higher proportion of their earnings due to the scarcity of appealing investment opportunities. Another requirement of dividend distribution is liquidity. Although a firm may be recording profits, it may not be in a position to distribute them due to a cash shortage. Moreover, the ratio of returns to assets is a valuable key in policy decision-making. The larger this ratio, the more a company wants to retain it in the form of profits to invest internally (Purwaningsih, 2020). Nonetheless, other firms tend to make dividend payments to satisfy their stockholders, so that they would not sell their shares and influence the stock price, which improves.

Therefore, dividend distributions are a financial decision that impacts corporate performance. Ukpong & Ukpe (2023) showed that dividends depend on numerous factors, the first among them are financing limits, investment dynamics, firm size, shareholder expectations, and legal demands. According to the research, it is also possible that a company can distribute cash proceeds and end up losing its ability to invest in future

opportunities. Accordingly, to keep the company afloat and promote investment, some of them have to provide dividends not in the form of money, but in the form of their shares. Stereńczak & Kubiak (2022) also stated that high dividends do not necessarily indicate good financial performance, but they can also reduce the effectiveness of corporate financing policies in the future. Dividends play an important marketing role in emerging markets or those characterized by low transparency, as they help attract investors and build confidence in the market, especially when performance information is insufficiently available (Farooq, Shehata, & Nathan, 2018). A dividend payout ratio (DPR) is an instrument to estimate the dependence of the company on a Dividend Policy. It is estimated by the percentage of pay earned in each share (Nour, Ridi, Yahya, & Jebreen, 2025; Gurung, Chapagain, Baral, & Boro, 2023; Aladwan, 2019; Anazonwu, Egbunike, & Echekeba, 2018). It is observed in the literature that dividends, as a sign of healthy financial performance, can be actual; however, there is a tendency for the value of the stock to fall in the market if the dividends are funded through growth and investment opportunities. Therefore, companies should adopt balanced policies that consider dividends without weakening their financial position or exposing them to financing pressures (Jalal, Alkoni, & Nour, 2023).

Dividends are important because they represent the actual return shareholders receive from a company's profits (Ali Taher & Al-Shboul, 2023). They are also an indicator of earnings quality and the strength of future financial performance, which motivates investors to base their purchasing decisions on them (Purwaningsih, 2020). As shown in the literature, dividends are relevant in the reduction of the variance of earnings and enhancement of accurate financial projections (Nyere & Wesson, 2019). They also depict a firm's capacity to raise real cash (Wahjudi, 2020; Aladwan, 2019). Conversely, other scholars argue that the disclosure of dividends is a valuable alternative to missing financial information, as investors rely on it to form perceptions about a company's profitability and stability (Mohammad, Nour, & Al-Atoot, 2024; Lin, Liao, & Xie, 2023).

1.5.2 Stock Price

The share price is the amount of money spent to obtain proof of participation or ownership in a company. In the secondary market or daily stock trading activities, the stock price fluctuates either in the form of increases or decreases (Khalaf, 2022). The formation of stock prices occurs because of the demand and supply of these shares. This

supply and demand occur because of many factors, both factors that are specific to the stock, such as the performance of the company and the industry in which the company operates, as well as macro factors such as the country's economic conditions, social and political conditions, and rumors that develop (Ali Taher & Al-Shboul, 2023). Stock price fluctuations are largely determined by a company's ability to generate profits. If the profits obtained by the company are relatively high, the dividends paid may also be relatively high, which will have a positive effect on the stock price on the exchange, and investors will be more interested in buying it. As a result, the demand for these shares increases, and in the end, the share price also increases (He, Sun, Zhang, & Li, 2021).

Shares are long-term investments issued for the life of the institution (Yanti & Aprilyanti, 2020). They have the following characteristics:

1. **Equal value of shares:** The value of the shares in the institution must be equal. The institution may not issue its shares at different values. Equal value refers to the nominal value at which the share is issued. Therefore, it is impermissible to issue shares without a specific value. Equal value in shares means that the rights granted by the shares to shareholders must necessarily be equal.
2. **A share requires the shareholder to receive a negotiable instrument, which may be registered in the name or bearer.** However, the institution may not provide proof of the shareholder's rights, but rather record his name in a special register. The shares must be deposited in the Central Fund for Deposits and Account Transfers. This deposit results in the loss of the share's identity. The shareholder has a specific right to a specific number of shares, but they have no right to the physical instrument representing those shares.
3. **Negotiability:** Shares are characterized by their negotiability, either through commercial means, such as transfer from hand to hand, or by registration in the corporation's register or endorsement if the shares are promissory. Alternatively, negotiability can be achieved through civil means, such as the transfer of rights. Ownership of a share may be transferred by inheritance, which distinguishes it from a partner's personal share.
4. **Divisibility:** Shares are indivisible. The meaning of indivisibility is that multiple owners of a share may not be present before the corporation if ownership of the share

is transferred to more than one person, as in the case of inheritance. The share is indivisible among them before the corporation, and each shareholder does not have a vote in the general assembly. Rather, they must choose one of their representatives to represent them in exercising the rights arising from the shares before the corporation.

Investing in stocks entails numerous risks, some of which are inherent to the nature of commercial investment in all its forms, resulting from the inherent element of risk present whenever an individual or institution invests in a particular trade. Additionally, some risks specific to the stocks themselves (Stereńczak & Kubiak, 2022). It is well known that stock trading, in general, is riskier than other investment vehicles, as it experiences periods of fluctuation that are difficult to predict. Furthermore, investing in stocks requires the investor to trust others' ability to manage their capital. Risks have been categorized by experts in investment into various types, but the most important are: market risks, caused by overall fluctuations in price; liquidity risks, caused by the fact that it is difficult to sell the stocks whenever one wants to; systematic risks, which relate to the macro-economy; and unsystematic risks, which relate to individual companies. Additionally, there are operational and legal risks, interest rate risks, and inflation risks (He, Sun, Zhang, & Li, 2021; Kanakriyah, 2020). Successful investors need to be aware of such risks and strike a balance between the two extremes by maintaining an equivalence between expected returns and potential risks through diversification and the implementation of capital-preserving strategies with low long-term returns volatility.

Therefore, the relationship between dividends and stock market value is of great importance from an investment and financial perspective, as companies seek to maximize their market value by enhancing their stock price (Louziri & Oubal, 2022). This can be attributed to the dividend-dividend model, which relates the dividend and the stock price, as well as the discount rate. A rising economy means corporate profits are rising; thus, a rise in dividends and prices of stocks (Talawa & Badwan, 2024). During an economically depressed period, the reverse happens. Investors look at stable dividends because these ease the minds of investors about the financial stability of a firm. Moreover, such dividends are informative in nature because they indicate the efficiency of management and can be used as a predictor of future performance (Boshnak, 2023; Ahmed & Idrees, 2020). The effect of dividends on stock prices, however, may be short-lived unless a

genuine improvement in profitability accompanies it. It can be concluded that the dividend rate is not a reliable measure of a stock's true value at any given point in time, as it is subject to significant fluctuations.

1.5.3 Stock Dividend Policy Samples

Financial thought reveals a diversity of perspectives on the extent to which dividend policy affects a company's market value, represented by its share price (Stereńczak & Kubiak, 2022). Other methods regard dividend decision as a basic variable which can directly influence the value of a company. Walter's (1963) and Gordon (1983) are some of the eminent representatives of this view. The alternative school of thought holds that such a decision has no practical impact on market value. Among the main representatives of this approach are Miller & Modigliani's (1961). These models overcome various hypotheses to yield more realistic findings that are influenced by different factors affecting Dividend Policy. Below we will go over these two models in more detail:

- Walter's Model:

Walter's (1963) model relies on clarifying the relationship between the internal rate of return (IRR) and the cost of capital. He believes that this relationship determines the impact of Dividend Policy on stock market value. In this model, companies that perform above the first-grade IRR than the cost of capital are in a better position to retain profits and reinvest in highly profitable projects, which have a good chance of impacting market value and increasing shareholder wealth.

However, the model assumes that the company has retained earnings as the sole source of funding for its investments. It also makes the assumption that the rate of return is constant, as well as the cost of financing; the company follows a unitary Dividend Policy, i.e., either full payout of dividends or full retention. Additionally, it presupposes constant dividends and ongoing business (He, Sun, Zhang, & Li, 2021). Under these assumptions, Walter assumes that firms with numerous opportunities for growth yield high market values when profits are retained, as their rate of investment expenditure is greater than the cost of capital. Thus, the non-distribution policy offers the best option to the firm. Walter formulated an equation that determines the market value of the stock under the previous assumptions:

$$P = WACCD + \frac{r(R-D)/WACC}{WACC} \dots\dots\dots \text{Eq. (1)}$$

Where:

P = stock price

D = dividends

$WACCD$ = cost of financing

r = internal rate of return (required rate of return)

R = earnings per share

For growing companies that lack viable investment opportunities and where the rate of return is lower than the cost of financing, the best policy is to distribute dividends in full, as reinvesting these profits by individual shareholders may generate better returns. In the meantime, in a company where the cost of capital equals the level of its returns, the choice between dividend payout and dividend retention will have a minimal impact on the market price of the stock (Louziri & Oubal, 2022). Subsequently, based on this model, an optimal Dividend Policy cannot be found in this case.

- **Miller and Modigliani Model:**

This model offers a different perspective, arguing that Dividend Policy does not affect the stock price or the cost of capital. Instead, a company's market value depends on the efficiency of its investments, its ability to generate profits, and its ability to manage risk. The primary assertion of this model is that the value of a business is determined by the capacity of its assets to generate income, rather than by the dividend distribution method or retention percentages.

Miller and Modigliani (1961) based their model on several assumptions, the most important being perfect and perfectly efficient markets, no taxes or trading expenses, investors have all information at their disposal, and there exists perfect certainty. Based on these assumptions, the researchers believe that dividend choices do not significantly influence the market value of a company, as shareholder wealth is estimated by the market value of the stock prior to the dividend, and dividends realized are immediately discounted by their stock market value once announced. That is to say, with the dividend decision, the shareholder neither gains nor loses anything (Agung, Hasnawati, &

Huzaimah, 2021). The value of the institution is determined according to the following relationship:

$$nP = \frac{1}{(1+K)} [(n + \Delta n)P1 - C + Re] \dots\dots\dots \text{Eq. (2)}$$

Where:

nP: Enterprise value, which is the number of shares multiplied by the market value per share.

n: Number of common shares issued.

Δn: Change in the number of common shares issued.

P1: Market value per share over the period.

K: Required rate of return on the investment in the share.

C: Required capital requirements.

Re: Retained earnings over the period.

The basis of the assumption of both Miller and Modigliani is that the required return of investors is constant. However, when the situation changes, the investor will sell the low-yielding ones to buy the high-yielding ones, and the price of the low-yielding stocks will fall because their number will increase. On the contrary, the demand for high-yielding stocks rises, and the process will continue until no distinction exists between returns. This hypothesis is considered (the Meyer-Modigliani theory), despite the existence of differences in the degrees of risk between institutions. Therefore, they considered the possibility of measuring return according to the following equation:

$$K = \frac{D+(P1-P0)}{P} \dots\dots\dots \text{Eq. (3)}$$

Where:

K: Required rate of return on the stock investment

D: Dividends

P1, P0: Stock price at the beginning and end of the period (in order)

P: Stock price.

Accordingly, the dividend policy becomes a formal matter, and the company can choose

what suits it without this affecting investor decisions or the attractiveness of the stock in the market. In this case, the investor does not differentiate between receiving current profits or realizing future capital gains through an increase in the share value, because market value is determined by the efficiency of investment asset management, not by the financial policy for distributing dividends (Maulidina, Paramita, & Taufiq, 2021).

1.5.4 Other variables used in the research, such as Financial Leverage, Firm Size and Profitability

Company size is considered a key factor influencing its financial performance and behavior in financial markets. Big companies typically possess numerous sources of finance and technological resources. It enables them to allocate funds for technology development and contribute to their competitiveness. Consequently, their work performance and profitability are also positively influenced (Liao, et al., 2022; Tang, Park, Agarwal, & Liu, 2020). Nevertheless, other researchers report that the further growth of firm size might bring about a negative change in the amount of cash flow available to cover day-to-day operations, as more funds will be required to sustain the same level of operations (Susanti, et al., 2021). Conversely, financial maturity and relative steadiness are normally accompanied by large firm size since the former firms can earn higher probability positive cash flows than small firms (Agung, Hasnawati, & Huzaimah, 2021).

Therefore, profitability is one of the most important variables affecting stock prices, as it reflects a company's ability to generate profits from its assets and its commitment to delivering returns to shareholders. Return on assets, return on equity, and net profit margin are among the key indicators used by studies to measure profitability. Findings have established a positive relationship between the return on assets and the stock price, implying the effectiveness of a firm in utilizing its own resources (Saleh, 2023).

The Palestinian market offers greater profitability and ROE to strengthen stock prices and substantial financial leverage to augment the risk and volatility (Saleh, 2023; Dirman, 2020; Kadim, Sunardi, & Husain, 2020; Tang, Park, Agarwal, & Liu, 2020). Constant dividends indicate long-term investment and long-term cash flow, which helps to attract investors and increase stock value (Susanti, et al., 2021). But if a company's dividend policy is inconsistent, it can scare investors away and hurt market value. Taken together—

profitability, leverage, and dividend management—all influence how confident investors feel, how much risk they perceive, and ultimately how stable or volatile stock prices become.

Exploring Theories Clarifying the Relationship Between Dividend Policy and Stock Prices

1. Agency Theory:

The agency cost theory suggests that the determination of Dividend Policy is informed by the agency costs that are a result of agency cost between ownership and control. Managers need not necessarily pursue a value-maximizing Dividend Policy to the shareholders, but a Dividend Policy that maximizes their own benefits. The presence of dividend payouts that minimize the amount of free cash flows that managers can use would thus make sure that the managers maximize the wealth of the shareholders instead of using the cash to benefit themselves (Budhathoki & Khadka, 2024). Firms are monitored and disciplined over these markets in the process of attracting new equity. The agency cost theory suggested by Jensen & Meckling (1976) can be also applied to accomplish achievements of predictions about the correlation between Dividend Policy and share price reaction.

Building on this idea, Jensen (1986) introduced the free cash flow hypothesis, which asserts that any free cash flow remaining after financing profitable investments and meeting debt obligations should be fully distributed to shareholders. Retaining excess cash within the firm could lead to managerial decisions that may decrease the firm's value (Agung, Hasnawati, & Huzaimah, 2021). Easterbrook (1984) also noted that dividends can be used to align management interests with those of investors, thus minimizing agency costs. He provided two major reasons why it is necessary to pay dividends. The former involves managing costs: shareholders, through their remuneration in the form of dividends, limit the amount that managers can allocate to wasteful projects. The second is related to risk aversion by managers. Unlike investors, who tend to have diversified investments at their disposal, the portfolio of managers can largely be attributed to a single company. The allocation of an optimal number of dividends should therefore enable management to regulate the two amounts, thereby reducing the amount of internal funds (Stereńczak & Kubiak, 2022). Additionally, the author highlights that dividends are paid

to reduce agency costs, as they do not generate any additional value for shareholders (Budhathoki & Khadka, 2024).

According to them, managers might use the company's excess funds for their own benefit due to the separation of ownership from control, whereas a regular cash payment ensures that the manager does not have that extra amount that could be transferred to their account. If manager announce fewer dividends, they have higher access to companies' internally generated funds, which would increase the chance of allocating a higher amount of company resources to their funds. Therefore, this theory suggests that a decrease in dividend payout is associated with a decline in the company's equity value, which in turn affects the company's share price (Purwaningsih, 2020).

Therefore, when agency cost theory is linked to the variable of Dividend Policy, it becomes clear that this theory directly explains how dividends can be used as a control mechanism to curb unruly management behavior. High dividends reduce the amount of free cash flow available to managers, forcing them to resort to financial markets to finance new projects, thus subjecting them to greater scrutiny from investors (Pokhrel et al., 2024). The observation made improves investor confidence and stabilizes the stock market position. Moreover, Dividend Policy is directly correlated with a stock price, as according to the literature, a high dividend payout is understood as a positive sign of financial performance and effective corporate management control, which contributes to an increased market price (Budhathoki & Khadka, 2024; Purwaningsih, 2020). The free cash flow hypothesis argues that without sufficient cash to share with managers due to the efficient allocation of cash among managers, low-value project investment opportunities are restrained, which is a positive contribution to market stock value. Thus, poor dividends can be interpreted by the investor as a manifestation of the misappropriation of funds or internal control problems, which will result in a drop in the stock price as a direct consequence of the growth of agency costs (Yanti & Aprilyanti, 2020).

2. Signaling Theory:

The signaling theory, proposed by Bhattacharya (1979), suggests that Dividend Policy can be applied as a tool to signal information about the prospects of a firm to the investors. Cash dividend announcements are important information that shareholders lack in the

judgments by the management regarding the future profitability of the firm, thereby decreasing information asymmetry. This information may thus be used by investors in determining the share price of a firm. The intuition that can be applied to this argument is the information asymmetry between managers and external investors where managers have a piece of information about the current and future success of the firm which is not accessible to external investors. According to this theory, dividend decisions are not made solely based on liquidity or accounting performance; they are meshed into a mechanism through which a set of information is inscribed about the expectations of future company cash flows and earnings. In this way, the dividend policy becomes a signal indicating management's optimism about the corporation's prospects, which prompts investors to adjust their valuation of the stock (Arhinful, Obeng, Mensah, & Mensah, 2025). Whenever dividends increase or remain at high levels, it is viewed in the market as an indicator of prudence and profitable trends that would further boost the stock market value. The dividend policy under this model is therefore relevant (Al-Ali, AlQamlas, AlHajri, & AlBasri, 2024). The essence of signaling theory is that a firm's management is more likely to have private knowledge about the current and future situation of their company than outsiders will have (asymmetric information). Managers use dividends as a device to deliver useful information to the financial market about present and future profit and growth of their firm (Gyeke & Kwame, 2024). If a company increases its dividends beyond expectations, the market interprets this as a strong signal that management expects higher growth and sustainable profitability, leading to a rise in the stock price.

On the other hand, dividend reduction or at a rate below the expectations marks pessimism on the management side, or poor liquidity resulting in a negative market response that would reflect the market value of the stock to reduce (Hasan & Al-Najjar, 2024). The presented findings demonstrate the need to incorporate Dividend Policy as a crucial element in models that investigate the behavior of stocks and analyze stock values, particularly in relation to the signaling theory, which explains how the market makes decisions based on management's choices within the framework of unspoken information (Tran, 2024). Recent research showed that managers are concerned about a signal of profit distribution over time. Abu Khalaf, Awad, & Ahmed (2023) found that dividend payouts may serve as a signal of a company's financial health, with an increase in dividends

indicating that managers expect their business to generate higher cash flow in the future. As a consequence, a higher value is signaled by higher dividends.

According to this theory, any change in Dividend Policy is viewed as a signal from management regarding its future earnings expectations. On the other hand, when a company increases its dividend payout ratio more than investors anticipate, investors take this event to mean that the management strongly believes that it will be more profitable in the future, which in turn makes the stock price go up (Zhang & Zhou, 2020). On the other hand, when the expectation of dividend payout is high, yet the company pays a very low percentage, it is a bad indicator, and this usually results in a decrease in the share's value.

However, Aberrational dividend payments are immediate signals to the market of management's expectations for upcoming growth in earnings. Higher-than-usual dividends indicate that management expects strong earnings growth, while a significant decrease in dividends indicates negative expectations or the company's intention to retain earnings to fund future growth projects (Tran, 2024).

3. Bird in the Hand Theory:

Based on the bird in the hand theory, the Dividend Policy is a view that states that investors will prefer to reinvest dividends in the form of shares in other companies. In the bird in the hand theory, shareholders view that dividends are more certain than capital gains. This is because the level of certainty of dividends is higher, so investors tend to buy more shares in the company.

The higher the dividends, more investors will be willing to join the company relating payouts to firm performance (Al-Ali, AlQamlas, AlHajri, & AlBasri, 2024; Okeke & Okeke, 2018). According to Gordon's theory, investors consider current dividends as less risky than future ones (Tran, 2024; Abu Khalaf, Awad, & Ahmed, 2023). Such messages boost investor confidence, reduce the company's cost of capital, and increase its market value (Tran, 2024).

The study by Al-Ali, AlQamlas, AlHajri, & AlBasri (2024) also supported this hypothesis, given the fact that the study revealed that the correlation of an increase in dividends with increase in stock price conformed to the theory of a bird in hand, which

postulates that a guaranteed reward is more profitable than a potential payoff in emerging markets, whose investors behave cautiously and prefer safe rewards.

4. Dividend Irrelevance Theory:

According to the dividend irrelevance theory, Dividend Policy does not affect the market price of the company's shares or the value of the company. The theory of irrelevance of dividends suggests that a company's value is determined solely by its profits and business risks, rather than by the dividends it pays. In a world without taxes, considering transaction costs, and in perfect market conditions, the Dividend Policy will not affect the market price of a company's stock. (Aryal & Maharjan, 2024). Investors are indifferent between dividend income and capital gains generated through retention. If they want cash, they can sell stock. If they do not want money, they can use dividends to buy stock. A study by Nour et al. (2025) supports dividend irrelevance theory. They concluded that only the firm's investment policy can influence the firm's value. The theory was criticized for being based on unrealistic assumptions (i.e., no taxes or brokerage costs), and therefore may not be entirely accurate.

Moreover, Modigliani & Miller (1961) suggest that Dividend Policy does not have any effect on the market value of a stock, thereby claiming that the stock price is dependent on the earning capacity of a particular firm and the degree of risk involved in the business, but not on the magnitude of the dividend distribution or retention policy. Based on these, Dividend Policy can thus be said to be a neutral factor which does not play a role in determining the actions of investors, and this can also be termed as the "neutrality theory (Zhang & Zhou, 2020). However, some researchers argue that this theoretical neutrality does not accurately reflect the reality of financial markets, as buying and selling stocks is typically accompanied by trading costs, such as brokerage commissions.

Nevertheless, Miller & Modigliani (1961) based their theory on a set of assumptions, most notably: the absence of taxes, transaction costs, and brokerage costs, and that investors behave rationally and do not prefer a particular form of return, whether in the form of dividends or capital gains. They also assumed that the issuance of new securities does not affect stock prices. Based on these assumptions, they believe that the market value of the stock after distributing dividends is equal to the market value before the distribution, plus the dividends paid, and therefore the wealth of shareholders does not

change with the change in the distribution policy, but is only affected by the company's ability to grow its assets (Kadim, Sunardi, & Husain, 2020).

1.6 Literature Review and Hypotheses Development

Recently, increasing numbers of studies have explored the ways dividend policy affects stock prices. Dividends get a lot of attention from investors; they treat them as signals about a company's stability and profitability, and that has a direct impact on how the market values a stock. Most research agrees that dividend policy can influence stock prices, but the size and direction of the effect vary by location.

Consider Nepal, for instance. When firms pay out high dividends, investor confidence rises and stock prices go up (Pokhrel, Khadka, Acharya, Thapa, & Thapa, 2024). It puts a spotlight on the expectations of the markets but impacts the market that the American market is able to draw long term investors who give high dividends (Gyeke & Kwame, 2024) and the high yields in the Nigerian markets reduce the price of the stock (Kayode, Gbenga, & Ayobami, 2022). Therefore, the correlations between the Pakistani markets dividends and the latter influence it minimally (Khan and Khan, 2023; Hameed, 2023). These variations are based on the behavior of the investors, the economic environment and the market structures.

The authors of the research by Pokhrel, Khadka, Acharya, Thapa, & Thapa (2024) employed a multiple regression model to investigate the impact of dividends on stock price volatility in commercial banks in Nepal. In contrast, Putri, Noekent, Ridloah, & Waliuddin (2022) employed secondary data analysis to examine the relationship between dividend policy and stock prices in Indonesia's manufacturing sector. Such a similarity of methods enhances the levels of comparability and reveals an overall scholarly inclination toward statistical evaluation as a means of gaining knowledge about correlations between financial variables.

1. Dividend Policy on Stock Price:

Businesses with a large investor base will favor using dividends as signals. One model that supports the idea that the announcement of changes in cash dividends has informational value, causing a stock price reaction, is the signaling theory proposed by Bhattacharya (1979). According to this approach, investors interpret information about

changes in pay as a signal about the company's prospects. Because investors and managers have asymmetric information, investors use the Dividend Policy as a gauge of the company's prospects. The yearly dividend distribution trend, whether in constant, rising, or fluctuating amounts, will be valuable information that affects stock values. The payment of a dividend increase is regarded as a positive signal that causes the stock price to rise.

On the other hand, a decline in dividend payments is interpreted as an indication that the company's prospects are less profitable, which would cause the stock price to react negatively. Generally speaking, investors prefer a dividend distribution that is quite reliable, as consistent dividend payments can enhance investor trust in the business and reduce investor apprehension about lending money to it (Hanafi, Halid, & Othman, 2023). Investors have more money because of the hefty dividend payouts. Stock demand may rise when some investors decide to reinvest their surplus cash in the capital market to earn a return. The price of stocks will rise when there is a greater demand for them than there is supply. The strong upward trend in stock prices indicates an increase in stock price volatility. This phenomenon demonstrates a positive correlation between stock price volatility and the dividend payout ratio (DPR) (Priana & Rm, 2017).

Findings from previous literature (Hassan, Sangawi, & Ahmed, 2025; Mohammad, Nour, & Al-Atoot, 2024; Jalal, Alkoni, & Nour, 2023; Kayode, Gbenga, & Ayobami, 2022) have shown that the stock price volatility study is negatively impacted by the dividend payout ratio (DPR). Other studies (Dominika, 2019; Sutandijo, 2019) have shown that there is no correlation between the dividend payout ratio and stock price volatility. Based on the literature review, the following hypothesis is developed by the researcher:

H1: Dividend Policy has a significant positive impact on the stock price of listed companies on the MENA exchanges.

A further dimension of Dividend Policy is the retention ratio, which is the percentage of a company's profit that is retained rather than distributed to investors. According to Ohiaeri, Akinbowale, & Ogumeru (2019), retention ratios can be calculated by subtracting the dividend payout ratio from one. The company's primary funding source is retained earnings (Nour, Ridi, Yahya, & Jebreen, 2025). Profits from low-dividend payout companies may be reinvested in the company. A company's stock price can be

influenced by its retained earnings, and this influence has led some academics to examine the behavior of stock price changes during different stages of the company's growth, particularly when it has low dividend payouts that can allocate profits to reinvest in the business (Dahmash, Alshurafat, Hendawi, Alzoubi, & Al Amosh, 2023). A study by Singh & Tandon (2019) states that the corporation employs the retention ratio as a Dividend Policy when deciding whether to provide dividends to investors or retain profits at a high level. If investors receive a higher return on their investment than the cost of capital, the company must continue to make a profit, and vice versa. According to research (Bustani, Kurniaty, & Widyanti, 2021), the retention ratio can be calculated by dividing total profits by earnings per share and then subtracting total dividends from total earnings. Warrad (2017) indicated that retention ratios have a favorable impact on stock prices. The stock price increases in proportion to the retention ratio. Because the company has a long-term investment strategy and can generate future profits, which will attract potential investors to purchase the company, a rise in retained earnings will likely increase the share price.

In line with the above, Ruhani, Salha, Ahmad, & Quddus (2018) define dividend yield as the multiple returns that investors receive in the form of dividends. Dividend yield is implemented when you divide the dividend per share by the current stock price. It's a simple way to figure out what kind of return investors get just by holding onto a stock. Plenty of research suggests that higher dividend yields tend to drive stock prices higher. Why?

Shareholders like high dividends and payouts because it encourages them to invest in the company. Also, it is a way to tell investors that the company is performing well (Tshitadi, Vermaak, & du Plessis, 2024; Ohiaeri, Akinbowale, & Ogumeru, 2019). However, reinvesting profits can lead to a long-term growth with higher returns in the future (Jalal, Alkoni, & Nour, 2023). Investors have different preferences; some prefer immediate payouts while others prefer to wait the reinvestment. Basically, they are all after dividend yield and payout which influence the company's value and image (Adedokun, OBADEMI, & Shiro, 2023).

Lilianti (2018) indicated that data on dividends per share is required to calculate the profit margin earned by each stock market. Dividends affect stock market price movements and represent a portion of the gains shareholders receive from stock investments, influencing market price reactions (Kumar & Venoor, 2018). The DPS displays the actual quantity of dividends distributed per share (Yanti & Aprilyanti, 2020). Shareholders are eligible for these dividends since the share value equals the present value of the dividend payment flow. Investors in the most efficient capital market will also put in more money.

In addition to payout metrics, A company's growth indicates positive outcomes for investors. Expanding a business can increase its worth (Antoro, Sanusi, & Asih, 2020). The term "growth" describes a company's position within the broader economic system or the economic framework of its industry. Fast-growing businesses typically see success in the business sector. As a result, businesses experiencing rapid expansion will need more funding in the future, particularly from external sources, to meet their investment requirements and continue expanding (Niar, 2019). One of the most crucial financial decisions a company can make is to establish a Dividend Policy. It spreads goodwill among shareholders, conveys the company's financial stability and worth, and increases demand for equities (WGU, 2021).

Lastly, earnings per share (EPS) is the ratio of profit after taxes to the total number of common shares outstanding at the end of each year. Higher levels of profit sharing, as returns to investors and retained earnings, are more likely to occur as earnings per share increase (Usman, Lestari, & Sofyan, 2020). Ohiaeri, Akinbowale, & Ogumeru (2019) looked at the correlation between stock prices and earnings per share. The company will be better able to reflect its future business prospects and provide investors with stronger investment returns thanks to the higher earnings per share.

According to a recent study by Moseri, Owualah, & Ogbebor (2024), earnings per share have a negative impact on stock prices. When earnings per share rise, the share price falls. There are a few causes for these conflicting influences. First, the microeconomic aspects of the business, such as its internal elements, are mostly influenced by the director's power. Its influence, in the form of resignation from the board of directors, may cause the public to have concerns about the company's financial soundness and form a negative impression of the business, both of which may contribute to stock price decreases.

The macroeconomic considerations come in second. The earnings per share reported by the corporation are not a factor considered by investors purchasing shares on the capital market. External factors that affect the company's stock price fluctuations include interest rates, inflation, deflation, and shifts in national economic policy. Based on these arguments, the following sub-hypotheses can be formulated:

H1a: Retention ratio has a significant impact on the stock price of listed companies on the MENA exchanges

H1b: Dividend yield has a significant impact on the stock price of listed companies on the MENA exchanges.

H1c: Stock dividend per share has a significant impact on the stock price of listed companies on the MENA exchanges.

H1d: Growth has a significant impact on the stock prices of listed companies on the MENA exchanges.

H1e: Earnings Per Share has a significant impact on the stock price of listed companies on the MENA exchanges.

2. Financial Leverage, Firm Size, and Profitability affect Stock Prices:

High leverage increases financial risk and stock volatility, while larger, more profitable companies generally offer stability and attract investor confidence (Dahlia & Zulaihati, 2025; Mudzakar, et al., 2021; Dewi & Paramita, 2019; Marini & Dewi, 2019; Tumiwa & Mamuaya, 2019). The impact of these factors varies by market conditions and research findings, highlighting the complexity of investor responses. More precisely, research also indicates that while ROA has a favorable impact, stock prices are not significantly impacted by it (Choiriyah, Fatimah, Agustina, & Ulfa, 2020).

Another study found that ROA had a negligible but unfavorable impact on stock values. A statistic called return on equity indicates how well a business manages the capital that investors have contributed. Return on equity information is essential for attracting investors to invest in the business. The primary objective of investors is to increase the wealth they have acquired through share returns (Putri & Safitri, 2024). The literature review asserts that there is a favorable correlation between stock prices and ROE (Jalal, Alkoni, & Nour, 2023).

Stock prices will rise in response to an increase in return on equity. The effective use of cash from investors' investments in the company by the management team will increase investors' returns on investment and have a beneficial impact on the rise in share prices. Investors will be drawn to purchase company shares if there is an increase in return on equity, as it will result in higher returns for investors. A stock price increase may be anticipated if demand for the stock surpasses supply. ROE has a negative impact on stock price (Jitmaneroj, 2017). Stock prices will drop in response to an increase in return on equity. Rather than distributing the profits as dividends, the corporation will reinvest the gains from the acquisition to increase its return on equity. Low dividend payments will discourage investors from making investments, which will lower share prices. In light of this, we can make the following hypothesis:

H2: Financial Leverage, Firm Size, Return on Assets and Return on Equity have a significant impact on stock price of listed companies on the MENA exchange.

Chapter Two

Methodology and Procedures

2.1 Introduction

The purpose of the current study is to identify the level of influence of the dividend distribution policy on the prices of shares of companies listed on nine stock exchanges in Arab countries, namely Palestine, Jordan, Qatar, the Sultanate of Oman, Kuwait, Bahrain, Abu Dhabi, Dubai, and the Kingdom of Saudi Arabia. The chapter will introduce the research methodology, the population and sample of the research, the data collection process, the variable measurement process, the interpretation of the research model, and the statistical analysis techniques to be used.

2.2 Methodology

2.2.1 Study Sample

The study uses a descriptive and analytical method to make rational conclusions that appeal to its hypotheses. It also uses the historical approach, which entails examination of the past work. The sample and population of the study comprise of 195 Arab stock listed companies in nine stock exchanges namely Palestine, Jordan, Qatar, Oman, Kuwait, Bahrain, Abu Dhabi, Dubai and Saudi Arabia. The distribution of these companies is in two sectors (106 companies in the insurance sector and 89 companies in the banking sector). This relies on information that has been posted on the official websites of Palestine Exchange (PEX), Amman Stock Exchange (ASE), Qatar Stock Exchange (QSE), Muscat Securities Market (MSM), Bourse Kuwait, Bahrain Bourse (BHB), Abu Dhabi Securities Exchange (ADX), Dubai financial market (DFM) and Saudi Stock Exchange (Tadawul). All the insurances and banking companies listed were included in the study.

Methodological exclusion criteria were an example of some companies that were not included in the sample, such as companies that failed to publish their financial reports within the timeframe of the study period; or companies that failed to disclose the data required to measure the study variables; and a small number of newly listed companies (following 2017) because of the inability to obtain enough time series consistent with the period of study adopted. As far as the country distribution is concerned, in the case of

Palestine Stock Exchange analysis, several companies were considered, but some banks like the Arab Islamic Bank, the Palestine Investment Bank were not included since after 2017 they stopped their publication or could not provide the necessary data. In Qatar, incomplete disclosure was used to exclude limited companies, including Islamic Insurance. In the Sultanate of Oman, this list has some companies that were not published since 2016. In Kuwait, newly listed or suspended companies were disqualified and in Bahrain, companies like Bahrain Kuwait Insurance were disqualified because of unfinished data after 2019. In Saudi Arabia and Dubai, no Saudi firms were present in the final sample save one, which has been omitted by the author because it was an IPO in 2024, thus not allowing the researcher to obtain a long enough series of data over the course of the study. In Dubai, the study has done away with two companies because the closing price data of the shares was not available at the time of the study and hence could not be included in the analytical model.

The proposed study will be based on a 11-year period (2014-2024) in order to quantify the effect of Dividend Policy on the stock prices of listed companies on the MENA exchanges. Actual data extracted from annual financial statements and published reports were used, totaling 2,145 analytical observations. The nine countries have been chosen based on the uniformity of their financial legislation, the existence of a uniform regulatory and economic framework in the insurance and banking industries, and conformity in this aspect, which contributes to establishing a common framework for comparison among these MENA markets. The given approach enables the determination of general tendencies and potential changes in the correlation between dividends and stock prices under various legal and economic conditions. Table 1 presents the distribution of the study sample across companies listed in the banking and insurance sectors on nine Arab stock exchanges.

2.2.2 Data Collection

The researcher relied on a set of relevant data and information so that the data was obtained from two sources:

- **Primary sources:** It will depend mainly on the financial reports of the insurance and banking companies and the disclosures issued by them during the study period, as published on their websites, according to the official website of the MENA Stock Exchanges.

- Secondary sources: represented in scientific journals and theses related to the subject of the study, whether in the MENA region or in other countries.

Table (1)

Distribution of the study sample

Stock Exchange	Total Companies	Companies included in the sample		Sample proportion of the population (%)	
		Bank	Insurance Companies	Bank	Insurance Companies
PEX	48	8	8	9.0%	7.5%
ASE	167	14	17	15.7%	16.0%
QSE	51	13	7	14.6%	6.6%
Tadawul	227	10	27	11.2%	25.5%
BHB	43	8	5	9.0%	4.7%
Bourse Kuwait	167	9	7	10.1%	6.6%
MSM	110	7	9	7.9%	8.5%
DFM	62	8	11	9.0%	10.4%
ADX	62	12	15	13.5%	14.2%
Total	937	89	106	100%	100%

2.2.3 Measurement of Variables

2.2.3.1 The Independent Variable (IV)

The dividend policy is considered the independent variable in this study. Therefore, Dividend Policy qualifies as one of the most significant financial policies of concern to researchers and investors due to its direct impact on stock value in financial markets. The nature of Dividend Policy differs among companies in terms of pattern, value, and consistency, and the management of these companies tries to minimize future growth to satisfy shareholders (Manisah, Andriyani, & Oktarina, 2023; Oktafiani, Irdiana, Moridu, Latuni, & Sesario, 2022; Purwaningsih, 2020). These are the following metrics: (retention ratio, dividend yield, dividends per share, growth and earnings per share). The earnings retention ratio can be measured by the retained earnings ratio rather than the distribution of earnings. It indicates a firm's appetite for growth and expansion, as well as internal growth, since these earnings are considered self-financing for investment, which can potentially increase the stock's market value in the long run (Singh & Tandon, 2019; Warrad, 2017). An annual cash dividend and the market price of the stock are typically used as a percentage in determining the dividend yield.

Dividend yield is very important to investors, especially those who prefer stable returns and lower risk when markets are uncertain (Ruhani, Salha, Ahmad, & Quddus, 2018).

Having high yield on stocks can attract investors because it gives them the feeling of security since DPS shows how much each shareholder can have which is a great financial performance indicator for the health of the company's financial status (Adedokun, OBADEMI, & Shiro, 2023; Singh & Tandon, 2019; Lilianti, 2018). Earnings per share (EPS) shows profit per share and assists management decide dividend payouts; more profitable companies often provide consistent dividends, which can boost stock prices (Usman, Lestari, & Sofyan, 2020; Ohiaeri, Akinbowale, & Ogumeru, 2019).

The company's growth rate also affects the dividend policy since the companies with a high rate tend to reinvest their profits to grow whereas the mature companies tend to pay out more dividends to please the investors and stabilize the stock price (Antoro, Sanusi, & Asih, 2020; Niar, 2019). Taking DPS, EPS and growth as a unit as well as that of the industry, the nature of the business and the economy in general can give a better picture of how the dividend policy can affect market value.

2.2.3.2 The Dependent Variable (DV)

The main dependent variable of the research is the price of stocks, as this factor is of critical importance in determining the financial performance of the companies listed in financial markets and is one of the main sources of investor confidence. The earlier research has used a number of techniques to quantify it, although the most prevalent is the closing price of the stock on the last day of trading in the fiscal year because it is the most commonly used as it is readily available, and because it is objective. This approach has been taken by studies by (Qaim, Shahzad, & Salahuddin, 2021; Puspitaningtyas, 2017). Some studies have also used average daily or monthly closing prices to reduce the noise of the daily movement, thus giving a better picture of stock movement, according to (Liu, et al., 2023). In addition to it, the market capitalization, which is the product of the outstanding shares and stock price, is also used as a measure of the size of a company (Ali Taher & Al-Shboul, 2023).

Dividend payments and price change have been combined by other researchers into a total stock return as a definitive measure of investment returns (Stereńczak & Kubiak, 2022).

The study will use the annual share price at the end of the year as the variable measure of the share price, in line with the character of the research model, and data accessibility in the targeted Arab markets. End-year price per share represents the performance of the company in terms of finance and operations during a given year and the parameter is important in forming the attitude of investors and determining the market value of a particular company. Such variables as supply, demand, macroeconomic, financial, administrative, and psychological and behavioral variables in the marketplace are considered other factors that affect this price (Louziri & Oubal, 2022; He, Sun, Zhang, & Li, 2021).

The literature indicates that in addition to the reflection of a company performance, the share price also represents the belief of the market in the company or not and this is the fundamental aspect in measuring the relationship between the financial policies such as Dividend Policy, and the corporate market performance (Abdullahi, Musa, & Yahaya, 2023; Usman, Lestari, & Sofyan, 2020; Alswalmeh & Mohd Dali, 2019).

2.2.3.3 The Control Variables (CVs)

In this study, several control variables were incorporated to ensure the accuracy of the results. Firm size was measured using the natural logarithm of total assets, as it provides a standardized representation of company scale (Manisah, Andriyani, & Oktarina, 2023). Profitability was assessed through two key indicators, return on assets (ROA) and return on equity (ROE), which are widely used to evaluate a firm's efficiency in generating profits from its available resources (Manisah, Andriyani, & Oktarina, 2023; Damayanti & Sucipto, 2022).

Specifically, ROA was calculated by dividing net profit after tax by total assets, while ROE was measured by dividing net profit after tax by total shareholders' equity. In addition, financial leverage was included as a control variable and measured by the ratio of total liabilities to total assets, reflecting the extent to which a company relies on debt financing (Usman, Lestari, & Sofyan, 2020).

Table 2 summarizes the study variables and the corresponding measurement methods used for each variable.

Table (2)

Measurement of Variables

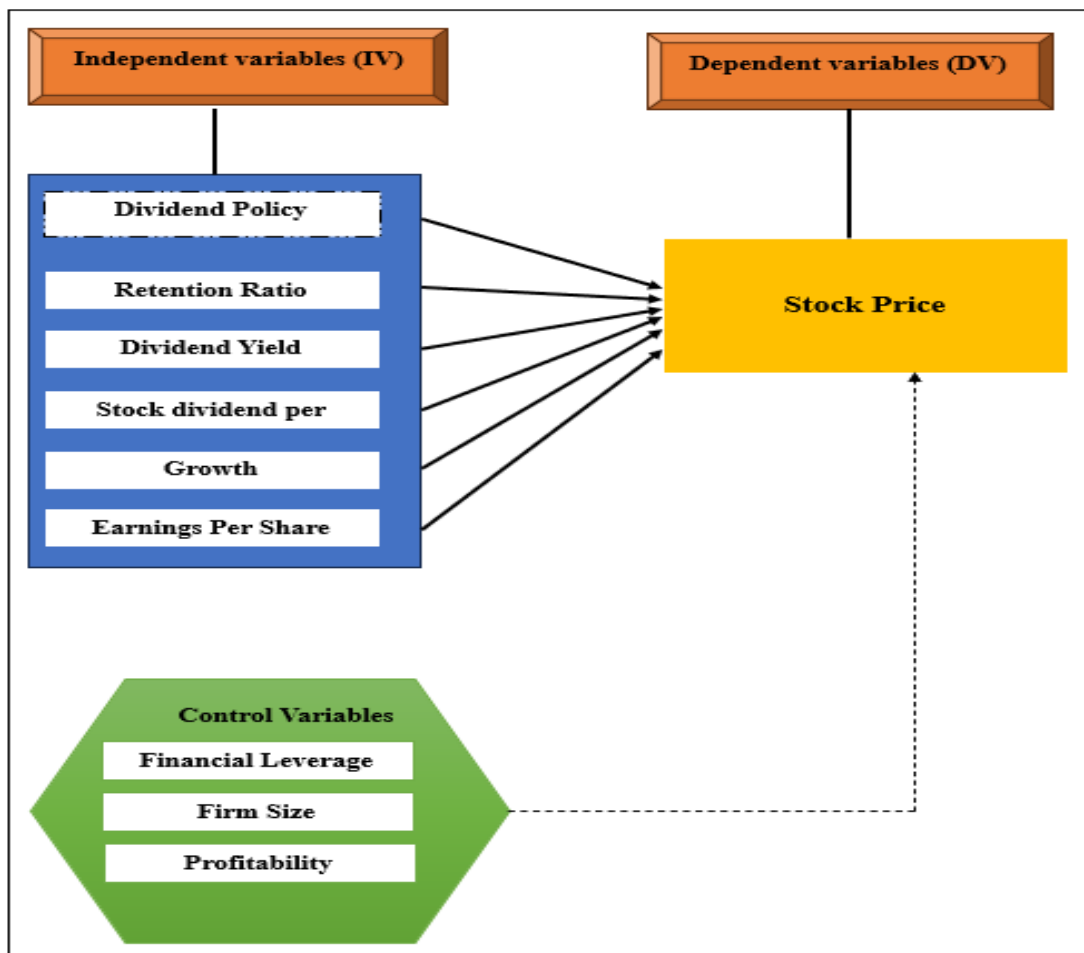
Variable Type	Variable	Symbol	Measurement method	Source
Independent variables	Dividend Policy	DP	DPR= DividendPer Share/ EarningsPer Share	(Manisah et al., 2023).
	Retention Ratio	RR	Retention Ratio= (Net Income-Dividends)/Net Income	(Ahmed & Idrees, 2020).
	Dividend Yield	DY	DY= dividend per year/Market price of stock	(Bhatti et al., 2020).
	Stock dividend per share	SD	DPS= Dividends/Number of shares	(Adam et al., 2020).
	Growth	G	G= (Book value assets – book value equity) + market value of equity/book value assets	(Nguyen et al., 2020).
Control Variable	Financial Leverage	FL	FL=Total debt / Total assets	(Alqsass et al., 2023)
	Firm Size	F Size	FSIZE = LN (Total Assets)	(Adam et al., 2020).
	Profitability	PA	ROE = Profit After Tax/ Shareholders Equity	(Damayanti & Sucipto, 2022). (Mahirun et al., 2023).
Dependent Variable	Stock Price	SP	The closing price at the end of the year	(Usman, Lestari, & Sofyan, 2020)

2.2.4 Study Model

To clarify the relationship between the set of independent variables, the dependent variable and the control variables, this model was built.

Figure (1)

Study Model



Source: (Prepared by the researcher).

2.2.5 Model

The researcher used the following multiple regression model to test the hypotheses, where the dependent variable is Stock Price (SP), and the independent variables are the DP indices (RR), (DY), (SD), (ROE), and (EPS). At the same time, the other variables in the model are the control variables in the factors related to the financial (F-LIV), (F-SIZE), (ROA), (G) that may have an impact on the Dividend Policy on the stock price:

$$SP = \beta_0 + \beta_1(RR) + \beta_2(DY) + \beta_3(SD) + \beta_4(G) + \beta_5(EPS) + \beta_6(F-LIV) + \beta_7(F-SIZE) + \beta_8(ROA) + \beta_9(ROA) + \epsilon_{it} \dots\dots\dots(1)$$

Where:

SP, share price.

DP, Dividend Policy.

RR, retention ratio.

DY, dividend yield.

SD, stock dividend per share.

ROE, return on equity.

EPS, earnings per share.

F-LIV, financial leverage.

F-SIZE, firm Size.

ROA, return on assets.

G, growth; and ε , the error term.

2.2.6 Statistical Analysis Methods

This study was analyzed statistically using STATA. In order to test the hypotheses and process the data that will be obtained, the researcher will use the following statistical methods- to achieve the objectives of this study:

1. **Descriptive statistics:** which includes percentages and arithmetic averages in order to give an explanatory analysis, standard deviations, and the lowest and highest values of the study variables.
2. **Correlation Coefficient:** To determine the relationship between the independent variables and the dependent variable.
3. **Multiple Regression Analysis:** The study employed the fixed and random effect of a Multiple Regression Analysis regression model to investigate the effects of independent variables, and control variables on the dependent variable. In this statistical tool we are able to know how strong the association or the influence of the independent variables to the dependent variable.

Chapter Three

Data Analysis and Findings

3.1 Introduction

To achieve the study's objectives, this chapter presents the analysis of data collected from the annual financial reports of the selected companies. Several statistical methods were employed to derive the results, thereby answering the study question and confirming its hypotheses. The R statistical program was used to analyze the collected data. Therefore, descriptive analysis was used to describe the arithmetic mean, maximum, minimum, and standard deviation of the research variables. Correlation coefficient analysis was used to clarify the relationship between the variables, and linear regression coefficients were used to determine the extent and strength of the influence between the independent variables, control variables, and the dependent variable.

3.2 Descriptive Statistics

Table 3 illustrates the descriptive statistics of the study sample, which includes companies listed on the MENA exchanges during the period 2014–2024 (nine Arab countries), during the period extending from 2014 to 2024. The overall sample size of the total sample is 1991 spread across eleven years.

The independent variables in this research point out on indicators that affect dividend payout policies. The dividend Policy (DP) displays a significant range of -94.80 to 30.00, average of 0.334 and standard deviation of 2.619 indicates a large variation between companies with some of the companies recording negative dividends. Retention Ratio (RR) had a range of -77.87 to 95.80 (mean = 0.656, SD = 2.880) which implied that majority of the firms retained a significant amount of earnings as opposed to dividing the earnings. Dividend Yield (DY) was ranging between -0.047 to 4.213 (mean = 0.109, SD = 0.257), and shareholder returns were different among the sample.

Stock Dividend per share (SD) was in the range of -0.136 to 8.094 and the mean is 0.109 and SD is 0.284 which indicates a company that issues bonus shares at a high percentage. There was also a significant change in Earnings per Share (EPS), with the lowest and highest values of -22.34 and 116.75 (mean = 1.238, SD = 5.808). The growth rate (G) increased at an annual rate of -6.136 to 4.056 (mean = 0.937, SD = 0.367), indicating that

there were the firms that had high growth rate and the others that had low growth rate. A combination of these variables will give a comprehensive view of the dividend policy practices and financial performance of sampled companies.

Control variables were added to control variations in financial structure and operations scale. The financial leverage (F-LIV) had a range of 2.601 to -0.098, average = 0.289, and SD 0.208 and it means that most companies were moderately or highly dependent on debt. Firm size (F-SIZE) was expanded to 26.31 with 16.43 (mean = 20.98 SD = 2.172) with a broad range of companies in terms of size and activity level. Profitability, measured in terms of Return on Equity (ROE) and Return on Assets (ROA) were also different to a great extent. There was a difference in the performance of firms as ROE was between -35.27 and 9.881 (mean = 0.043, SD = 0.866) and ROA was between -0.450 and 0.259 (mean = 0.013, SD = 0.043).

The stock price (SP) which is the dependent variable had a large range between 0.018 and 218.0 with an average of 8.131 and standard deviation of 17.61. This difference shows that market valuation is greatly affected by the performance of companies, dividend policy, financial leverage, and firm size. On the whole, the descriptive statistics present a representative sample, which offers a sufficient basis to the analysis of the impact of dividend policy and other financial variables on stock prices in the banking and insurance industries.

Table (3)

Descriptive Analysis for MENA exchanges

Variable	Obs	Mean	Standard dev.	Minimum	Maximum
EPS	1,991	1.238	5.808	-22.34	116.75
DP	1,991	0.334	2.619	-94.80	30.00
RR	1,991	0.656	2.880	-77.87	95.80
DY	1,991	0.109	0.257	-0.047	4.213
SD	1,991	0.109	0.284	-0.136	8.094
G	1,991	0.937	0.367	-6.136	4.056
ROE	1,991	0.043	0.866	-35.27	9.881
ROA	1,991	0.013	0.043	-0.450	0.259
F-SIZE	1,991	20.98	2.172	16.43	26.31
F-LIV	1,991	0.289	0.208	-0.098	2.601
SP	1,991	8.131	17.61	0.018	218.0

3.3 Correlation Coefficient Analysis

Table (4) presents the Pearson correlation coefficients used to analyze the relationships and determine the direction of the relationships between the independent variables and the control variables, as well as the dependent variable (stock price), and to evaluate the strength of the relationships between the independent variables.

Table (4) presents the results of the correlation matrix between the study variables and the total sample, which comprises all companies listed in the insurance and banking sectors on the MENA stock exchanges (across nine Arab countries)

The correlation analysis shown in Table (4) indicates that the correlation coefficients between each variable are not significantly high, with the highest correlation coefficient reaching only 0.43. Therefore, the relationships between the independent variables are typically less than 0.80 that there was no problem of multicollinearity among the variables that formed the research. This guarantee ensures the significance of every variable separately and its specific role in predicting the dependent variable.

Specifically, the data show a moderate positive correlation between EPS and SP, with a correlation coefficient of 0.43, indicating a clear direct relationship between a stock's earnings performance and its market price. This relationship can be said to make sense, as earnings are generally maintained at the anticipated market-based value of firms. The findings further indicate that there is a positive correlation between G and SP (0.23), which means that the faster the growth rate of the company the higher its market value will be.

Table (4) shows the results of the correlation coefficient analysis that shows vital results. It is worth noting that a negative relationship exists between DP and SP, as supported by a correlation coefficient of -0.04. In contrast, a positive relationship was observed between RR and SP, with a correlation coefficient of 0.01. Furthermore, a negative, albeit insignificant, relationship was observed between DY and SP, with a correlation of -0.17. It is possible to interpret this in the light of firms that apportion a greater share of profits, which can have a cautious investment and growth trend, which can cap their long-term market valuation. SD also showed a weak positive correlation with SP (0.16); this could indicate the extent to which opinions of some investors were inclined towards the type of

returns it represents. Additionally, positive relationships were identified between financial leverage (F-LIV), ROA, and ROE, with SP, with correlation coefficients of (0.12, 0.03, 0.02), respectively. While the correlation between firm size (F-SIZE) and SP was weak and negative (-0.02), the fact that it was negative indicates that size is not a good predictor of stock market valuation alone.

On the other hand, the correlation results demonstrate that all the values of the correlation coefficients of the independent and control variables were below 0.80, meaning that there was no presence of multicollinearity in the data. This is a good sign of the validity of the statistical model adopted, since every variable can be measured separately without much interference from others. Therefore, one may state that the independent and control variables in the research are not affected by multicollinearity, and this fact contributes to the credibility of the analysis findings and conclusions that will be drawn based on them.

3.4 Linear Regression Analysis

The first step was to estimate the fixed effects and random effects models to demonstrate the correlation between the study's variables across all models. Based on the Fixed Effects and Random Effects regression panel results across all tables, the optimal model was selected based on the Hausman test. The Hausman test revealed the p-value < 0.05 for all tables, indicating that the fixed effects model was appropriate for the analysis.

3.4.1 Dividend distribution policy and stock prices in the MENA stock exchanges (nine Arab countries)

In the fixed effects model, which was determined to be the most appropriate for the analysis, Table (5) shows a statistically significant positive effect of earnings per share ($B = 0.470$, $p = 0.000$), dividends per share ($B = 3.503$, $p = 0.000$), and growth ($B = 9.012$, $p = 0.000$) on stock price. This means that the higher the earnings, the more regular the dividends, as well as the sustainability of growth, the higher the stock prices will also be, since there is confidence in the company and its performance.

These findings are consistent with those of Usman, Lestari, & Sofyan (2020), Adam et al. (2020), Nagendra et al. (2019), and WGU (2021). Financial leverage shows a strong positive effect on stock prices ($B = 5.754$, $p = 0.001$), and larger firms also experience a similar increase ($B = 5.017$, $p = 0.000$)

Investors tend to have greater confidence in larger companies and those with higher leverage, which generally leads to higher stock prices, a trend supported by (Alqsass, Jaradat, Rexhepi, & Al-Gasawneh, 2023; Dewi & Paramita, 2019; Dominika, 2019). Stuningly, the positive stock prices are associated with the higher return on assets (ROA) ($B = -10.52$, $p = 0.050$), which indicates that good returns on assets can evoke concerns among investors that the company might be riskier or with a different strategy (Damayanti & Sucipto, 2022; Choiriyah, Fatimah, Agustina, & Ulfa, 2020). The impact of dividend yield was negative and statistically unimportant ($B = -2.112$, $p = 0.083$) which means that the magnitude of payouts is not likely to have a potent effect on the prices of stocks, which some past research found (Tshitadi, Vermaak, & du Plessis, 2024; Antoro, Sanusi, & Asih, 2020).

There were positive and insignificant effects on retention ratio ($B = 0.106$, $p = 0.277$) and ROE ($B = 0.117$, $p = 0.621$), which agree with Singh and Tandon (2019) and Mahirun et al. (2023). Hypotheses H1a and H1b were rejected and H1c, H1d and H1e accepted resulting in partial acceptance of the main hypothesis H1. The same thing was with H2, the leverage and firm size were significant, but the indicators of profitability such as ROE were not. The sensitivity of earnings per share, dividends and growth to stock prices is positive, which supports the signaling theory whereby stock prices are influenced by companies that have good profits, frequent dividends and stable growth that make the investor have confidence in the company hence increasing their price in the stock market. The parameters of financial leverage and the size of the firm also become significant: the larger leverage is used to show that the borrowed funds are used efficiently, and bigger firms are more stable and reliable, which leads to the increase of the stock prices.

Surprisingly, ROA impacted negatively on the price of the stock indicating that significant changes in returns on assets might be an indicator of potential risk or change in strategy and thus investor hesitation. It means that the relationship between ROA and stock prices is situational and is conditioned by the situation in the market and by the inner policies. The insignificant impact of retained earnings and ROE is in line with the agency theory, which suggests that conflict of interest might not play a major role in determining the prices of stocks of companies listed on MENA stock exchanges.

From the perspective of dividend irrelevance theory, the results indicate that dividend payout size has no statistically significant effect on stock prices. This may indicate that dividend payout size decisions do not affect market value or stock price in relatively efficient markets. This could be indicative of the complexities of the market environment and the fluctuation of investor expectations; something that surpasses the scope of conventional financial indicators.

Table (4)*Correlation matrix for the insurance companies and banks sample*

Correlation	EPS	DP	RR	DY	SD	G	ROE	ROA	F-LIV	F-SIZE	SP
EPS	1										
DP	-0.02	1									
RR	0.01	-0.68	1								
DY	-0.03	0.10	-0.01	1							
SD	0.06	0.04	-0.04	0.22	1						
G	-0.03	-0.01	0.01	-0.17	-0.02	1					
ROE	0.04	0.01	-0.01	0.02	0.03	-0.05	1				
ROA	0.16	0.03	-0.02	0.08	0.08	-0.11	0.23	1			
F-LIV	0.10	0.06	-0.02	0.14	0.07	-0.16	0.01	-0.01	1		
F-SIZE	-0.08	-0.03	-0.01	-0.09	-0.08	-0.15	0.01	0.10	-0.19	1	
SP	0.43	-0.04	0.01	-0.17	0.16	0.23	0.03	0.02	0.12	-0.02	1

Note: Significant at p-value less than 0.

Table (5)*Regression results for Overall Impact of Indicators DP on SP*

Variable	Fixed effect model			Random effect model		
	Beta	SD	P	Beta	SD	P
ROE	0.117	0.236	0.621	0.162	0.243	0.504
ROA	-10.52	5.363	0.050	-10.51	5.463	0.054
F-SIZE	5.017	0.611	0.000	2.072	0.331	0.000
F-LIV	5.754	1.807	0.001	4.282	1.725	0.013
DY	-2.112	1.216	0.083	-3.505	1.201	0.004
RR	0.106	0.098	0.277	0.974	0.100	0.332
EPS	0.470	0.051	0.000	0.581	0.050	0.000
SD	3.503	0.826	0.000	4.371	0.839	0.000
G	9.012	0.851	0.000	9.836	0.840	0.000

R – square = 0.78

Hausman test p value = 0.000

Note: Significant at p-value less than 0.05.

3.4.2 Dividend distribution policy and stock prices in the PEX

In the fixed effects model, which was determined to be the most appropriate for the analysis, Table (6) shows a statistically significant positive effect of earnings per share ($B = 0.119$, $p = 0.035$), financial leverage ($B = 2.767$, $p = 0.000$), firm size ($B = 0.688$, $p = 0.000$), and growth ($B = 3.686$, $p = 0.000$) on stock price. This indicates that Palestinian companies with good performance in terms of profitability and growth, along with the ability to effectively use debt financing and a larger size, are likely to gain higher investor confidence, which is positively reflected in their stock prices. These results are consistent with the findings of (WGU, 2021; Usman, Lestari, & Sofyan, 2020; Dewi & Paramita, 2019; Dominika, 2019). The study also showed a statistically significant positive impact of ROE ($B = 0.862$, $p = 0.023$) and dividends per share ($B = 3.845$, $p = 0.002$) on stock price. This demonstrates that the fluctuation in the market is associated with price volatility, which attracts the interest of the investors, which means that a company can generate decent returns to its shareholders. This fact is aligned with the results of (Mahirun, Jannati, Kushermanto, & Prasetiani, 2023; Adam, Buckman, & Setordzi, 2020; Mahirun, Jannati, Kushermanto, & Prasetiani, 2023). Accordingly, there is a statistically significant negative impact of dividend yield ($B = -8.032$, $p = 0.021$) on stock prices,

which suggests that high dividends do not necessarily work as one would anticipate, as a positive signal, and are instead perceived to be an indicator of poor growth opportunities or dividend reinvestment. This contradicts studies by (Tshitadi, Vermaak, & du Plessis, 2024; Antoro, Sanusi, & Asih, 2020). Furthermore, there is a negative but statistically insignificant effect of retention ratio ($B = -0.083$, $p = 0.120$) and ROA ($B = -1.265$, $p = 0.603$), which means that Palestinian companies might be concerned with other parameters than those having impacts on the stock price. However, this contradicts studies by (Choiriyah, Fatimah, Agustina, & Ulfa, 2020; Singh & Tandon, 2019). The coefficient of determination $R^2 = 0.90$, which shows that the independent variables adopted in the model explain 90% of the variation in stock prices. In short, the hypothesis H1a was rejected, while hypotheses H1b, H1c, H1d, and H1e were accepted. The main hypothesis H1 was partially accepted, as not all of its components were statistically significant. Similarly, hypothesis H2 was partially accepted, as leverage and firm size had a statistically significant effect, while none of the profitability indicators (ROA) were statistically significant.

According to the results of the study, the positive and statistically significant effects of both earnings per share and growth rate on stock prices of Palestinian companies listed on the PEX can be explained through the signaling theory. In this theory, corporate firms that attain high profitability and record high growth rates give positive messages of their financial stability and operational profits to market investors. Such signals increase investors' confidence in the future sales of these companies, which translates to an increase in stock prices, as clearly evident in the research results.

In addition, the positive and great effects of leverage and company size on stock price can be interpreted through agency theory, which indicates that leveraging and large company size positively influence the stock price.

Smaller, expansion-oriented organizations can get loans easily. This additional financial power does not only assist them in growth but it also gives them a look of reliance among investors. These companies are regarded by people as being powerful and stable and expecting favorable outcomes in the future. All this hope spreads the demand of their shares and the stock price would go up. On the contrary, the high dividend yield may tend to lower the stock prices. Large dividends are usually seen by investors as a caution- that

the company has no good prospects of investment. Instead of investing in new ventures, they are just giving back money to the shareholders. That is not very appealing to long-term-oriented people.

The slight negative effects of retained earnings and return on assets are consistent with the agency theory. These results may reflect the weak effectiveness of these indicators in reducing conflicts of interest between management and shareholders in Palestinian companies, or that they are not effectively used within a framework of good governance. This may also be due to the nature of the Palestinian market, which is influenced by political, economic, and contextual factors that make investor behavior less reliant on traditional financial indicators and more responsive to complex external variables.

Table (6)

Regression results for Impact of Indicators DP on SP of the PEX

Variable	Fixed effect model			Random effect model		
	Beta	SD	P	Beta	SD	P
ROE	0.862	0.373	0.023	0.834	0.498	0.094
ROA	-1.265	2.426	0.603	-1.220	3.069	0.691
F-SIZE	0.688	0.0941	0.000	0.281	0.068	0.000
F-LIV	2.767	0.664	0.000	2.431	0.806	0.003
DY	-8.032	3.437	0.021	-18.62	4.232	0.000
RR	-0.083	0.053	0.120	-0.074	0.071	0.302
EPS	0.119	0.056	0.035	0.202	0.074	0.007
SD	3.845	1.214	0.002	8.185	1.484	0.000
G	3.686	0.423	0.000	2.356	0.336	0.000

R – square = 0.90

Hausman test p value = 0.000

Note: Significant at p-value less than 0.05.

3.4.3 Dividend distribution policy and stock prices in the ASE

In a fixed effects model, which was determined to be the most appropriate for the analysis based on the Hausman test, Table (7) shows a statistically significant positive impact of earnings per share (B = 1.026, p = 0.000), dividends per share (B= 4.611, p = 0.000), and growth (B = 4.171, p = 0.000) on stock price. This implies that Jordanian firms traded on the Amman Stock Exchange, whose level of performance is good in terms of profitability and growth, as well as their capability to raise subsequent financing and leverage, and that they are larger, able to persuade investor trust, which is positively reflected in their

stock prices. These results are consistent with the findings (WGU, 2021; Usman, Lestari, & Sofyan, 2020; Nguyen, Nguyen, & Tran, 2020). The study also showed a statistically significant positive effect of ROE ($B = 2.437, p = 0.000$) and financial leverage ($B = 1.074, p = 0.025$) on stock price.

In Jordan, stock price does not change randomly but in response to the manner in which the companies utilize their profits. These payouts are of great interest to the investors since they are perceived as an indicator of the performance of a company. The better the appeals of the returns the more people will pay attention. This is comparable to the results reported by (Dominika, 2019; Dewi & Suryana, 2016; Al Masum, 2014). What is interesting in the data is that both dividend yield and ROA have a strong negative dependence on stock prices (dividend yield: $B = -8.763, p = 0.000$; ROA: $B = -8.519, p = 0.000$). In this market therefore, high dividends are not necessarily an indicator of positive things. In its place, high dividends can be seen by the investors as evidence that a company does not have much room to grow or reinvest.

This contradicts studies by (Tshitadi, Vermaak, & du Plessis, 2024; Antoro, Sanusi, & Asih, 2020; Choiriyah, Fatimah, Agustina, & Ulfa, 2020). Furthermore, there is a positive but statistically insignificant effect of retention ratio ($B = 0.021, p = 0.630$) and firm size ($B = 0.101, p = 0.446$), suggesting that Jordanian firms, where investors may pay more attention to indicators other than traditional ones when evaluating firm performance and stock prices, are more likely to be affected. However, this contradicts studies by (Dewi & Paramita, 2019; Singh & Tandon, 2019). The coefficient of determination $R^2 = 0.83$, which shows that the independent variables adopted in the model explain 83% of the variation in stock prices. In short, the hypothesis H1a was rejected, while hypotheses H1b, H1c, H1d, and H1e were accepted. The main hypothesis H1, was partially accepted, as not all of its components were statistically significant. Similarly, hypothesis H2 was partially accepted, as leverage and profitability had a statistically significant effect, whereas firm size did not have a statistically significant effect.

Companies that are listed in ASE have their stock prices being pushed up by earnings per share, dividends and growth. These are not mere background sounds, the investors are aware of these traditional financial indicators, and their presence is felt in the market. It is a direct application of agency theory when firms demonstrate good performance in

terms of earnings and have actual growth, then the trust of investors goes up. That confident urge increases the value of stocks. Financial leverage and return on equity are also useful in raising stock prices. ROE brings out the capacity of a company to make profit to shareholders. Financial leverage on the contrary indicates that the company is funding the expansion using borrowed money, which is a good sign in the eyes of investors. Conversely, the dividend yield and the rate of return on assets actually exert a negative influence on the price of the stocks. When a company is making high dividends, investors can fear that the company is not investing enough to grow in the future. That may render the stock less appealing. The same applies to a high ROA- it would imply that the company has already utilized its assets to the maximum, and it has not much space left to expand. Retained earnings and size of the company? They do raise the prices, but not too much, and the impact is not very dramatic. In the end therefore it is these traditional financial indicators that actually determine the narrative of stocks in emerging markets such as the ASE in terms of earnings, growth and profitability. These are signals that are sought by investors, and the market reacts.

On the other hand, the size of a company can be considered a marker of stability and market viability. However, this slight influence on the results can be explained by the fact that investors tend to measure a company's performance based on its level of management competence and strategic policies rather than its size. This can be a sign of the complexity of the market environment and the unpredictability of investors' expectations, which extends beyond the traditional financial indicators.

Table (7)

Regression results for Impact of Indicators DP on SP of the ASE

Variable	Fixed effect model			Random effect model		
	Beta	SD	P	Beta	SD	P
ROE	2.437	0.464	0.000	3.283	0.546	0.000
ROA	-8.519	2.359	0.000	-13.48	0.039	0.000
F-SIZE	0.101	0.133	0.446	0.174	0.468	0.000
F-LIV	1.074	0.476	0.025	1.295	1.789	0.006
DY	-8.763	1.650	0.000	-16.48	0.051	0.000
RR	0.021	0.043	0.630	0.032	0.082	0.536
EPS	1.026	0.267	0.000	1.83	0.273	0.000
SD	4.611	0.718	0.000	8.662	0.743	0.000
G	4.171	0.425	0.000	1.914	0.304	0.000

R – square = 0.83

Hausman test p value = 0.000

Note: Significant at p-value less than 0.05.

3.4.4 Dividend distribution policy and stock prices in the QSE

Based on the results of the fixed effects model, which is more appropriate for the analysis, as shown in Table (8), the study shows a statistically significant and negative effect of dividend yield ($DY = -211.9$, $p = 0.000$), which means that in the Qatari market dividend yield above average can be interpreted as a signal of weaker growth prospects or low reinvestment opportunities which may trigger a drop of the stock value. The results also revealed a positive and statistically significant effect of dividends per share ($SD = 55.40$, $p = 0.000$) and growth ($G = 10.66$, $p = 0.002$) on stock prices, reflecting that Qatari companies that distribute generous cash dividends and enjoy high growth rates enjoy investor confidence, which is positively reflected in their stock prices. In contrast, none of the variables of return on equity ($ROE = -8.067$, $p = 0.646$), return on assets ($ROA = 30.29$, $p = 0.412$), firm size ($F\text{-SIZE} = -1.731$, $p = 0.562$), financial leverage ($F\text{-LIV} = -9.055$, $p = 0.214$), retention ratio ($RR = -0.043$, $p = 0.689$). Earnings per share (EPS) of 0.350, with a p-value of 0.227, showed a statistically insignificant effect, indicating that these factors do not play a decisive role in determining stock prices in the Qatari market within the studied sample.

These findings are consistent with previous studies like WGU (2021) and Nagendra et al. (2019), but they don't fully align with what (Choiriyah, Fatimah, Agustina, & Ulfa, 2020; Antoro, Sanusi, & Asih, 2020; Choiriyah, Fatimah, Agustina, & Ulfa, 2020; Tumiwa & Mamuaya, 2019; Al Masum, 2014) or (Dewi & Suryana, 2016) discovered. Nonetheless, H1b, H1c, and H1d have indicated a clear and significant impact on the stock prices. The model is quite robust in itself: the R^2 of the model equals 0.60, which means that it explains 60 % of fluctuations in stock prices. H1 was thus partially supported (only part of it was found to be true), and H2 was rejected completely. It apparently did not matter much regarding leverage, profitability and firm size.

Based on these previous findings, a company raises its dividends per share or it experiences stable growth, it sends a powerful signal to the market. And that is just what signaling theory suggests. Stable dividends and sound growth are perceived by investors as signs of financial stability and future and enhance the confidence of investors to purchase shares and this leads to increased prices.

On the other hand, the negative influence of dividend yield on the stock prices statistically significantly is possibly due to the fact that high dividends not always considered a positive indicator. Rather, they may be interpreted by investors as evidence of weak expansion and limited investment opportunities within the company, reflecting a discouraging outlook for future growth prospects. This has a negative impact on the perceived desirability of the stock among investors, thereby lowering its market value.

In contrast, none of the variables return on equity, return on assets, company size, leverage, retained earnings, and earnings per share showed a statistically significant impact on stock prices in the Qatari market. This result suggests that these factors are not decisive determinants in explaining stock price movements within the studied sample. The statistical insignificance of such indicators can be explained by the fact that the Qatari market is subject to various other factors, which can be non-standard and marked by the behavior of the investors that is not always based on the quantitative analysis of the financial side of such markets, but sometimes depends upon other tendencies, confidence, or economic and political conditions in the sphere. These findings can also be an indicator of the poor job done by these variables as quality indicators in the examination of financial performance or the prediction of stock prices, in line with agency theory, which lacks proper mechanisms of good governance and has very little transparency regarding financial information. This is due to the fact that these challenges are occasioned by a lack of financial resources among investors and a minimal reliance on fundamental analysis in making investment decisions in the QSE.

Table (8)

Regression results for Impact of Indicators DP on SP of the QSE

Variable	Fixed effect model			Random effect model		
	Beta	SD	P	Beta	SD	P
ROE	-8.067	17.51	0.646	-0.575	17.01	0.973
ROA	30.29	36.83	0.412	31.00	36.47	0.395
F-SIZE	-1.731	2.978	0.562	1.813	0.466	0.000
F-LIV	-9.055	7.255	0.214	10.28	4.455	0.021
DY	-211.9	41.00	0.000	-217.9	34.86	0.000
RR	-0.043	0.108	0.689	-0.150	0.127	0.239
EPS	0.350	0.289	0.227	0.313	0.280	0.263
SD	55.40	9.222	0.000	32.94	5.556	0.000
G	10.66	3.353	0.002	12.21	2.810	0.000

R – square = 0.60

Hausman test p value = 0.000

Note: Significant at p-value less than 0.05.

3.4.5 Dividend distribution policy and stock prices in the MSM

The results of Table (9) indicate that the fixed effects model is the most appropriate for the analysis, as the results showed a significant negative effect of both the dividend yield ($B = -0.373$, $p = 0.005$) and the retention ratio ($B = -0.162$, $p = 0.004$) on stock prices, which means that increasing dividends as a percentage of the price or increasing retained earnings leads to a decrease in stock prices. This may be attributed to the fact that investors interpret these policies as a signal of weak investment opportunities or limited growth prospects in the company. This contradicts with the studies of (Tshitadi, Vermaak, & du Plessis, 2024; Antoro, Sanusi, & Asih, 2020; Singh & Tandon, 2019). In contrast, dividends per share (SD) and growth (G) showed a positive and significant impact on stock prices, with the SD effect value reaching ($B = 1.886$, $p = 0.021$) and the G effect value reaching ($B = 0.792$, $p = 0.006$). It is found that regular dividends and an increase in growth rates enhance investor trust about a company. Such confidence boosts stock prices, consistent with the results of (WGU, 2021). In contrast, financial leverage, firm size, and return on assets had positive influence, although their effect was not so significant, there is no significant effect on the Omani market during the study period. The effect of the returns on equity and earnings per share was of a slightly negative nature but once again, nothing of any importance. In general, these factors did not play a significant role in the choice of investors in this situation. This is however in contrast with the study by (Choiriyah, Fatimah, Agustina, & Ulfa, 2020; Usman, Lestari, & Sofyan, 2020; Dominika, 2019; Tumiwa & Mamuaya, 2019; Dewi & Suryana, 2016; Al Masum, 2014). The model's R^2 score comes in at 0.65, meaning the independent variables explain 65% of the variation in stock prices. Here's how the hypotheses turned out: H1e didn't pan out, but H1a, H1b, H1c, and H1d did, so the main hypothesis H1 gets a partial nod. H2 didn't hold water at all—leverage, profitability, and firm size didn't have much impact.

Dividends per share and growth really impressed. The two positively and strongly impacted on the share prices. This makes sense- dividends that are consistent and a growth that is consistent is a sign to the investors that an organization is doing well and that it will move forward hence making confidence and increasing the stock demand. The constant ability of a business to pay dividends and continue in its growth attracts the majority of investors as it symbolizes stability and opportunities. Conversely, high dividend yield or high retained earnings may simply scare away the investors. Such a mix

is an indication of slower growth potential or lack of adequate reinvestment in the company, which can drag down on the value of stock. In the case of the size of the firm, leverage, and the return on assets, they were some positive signs, still nothing serious. These parameters may be an indication that a firm is secure, but in this instance, they did not actually have any effect on the share prices.

However, investors may not consider them as decisive factors when making their investment decisions, perhaps due to the nature of the market or their preferences based on other indicators. While return on equity and earnings per share have an insignificant negative impact, this may indicate that investors do not see these indicators as sufficient guarantees of a stock price increase, especially if they are not accompanied by indicators of dividends or tangible growth opportunities. This limits their importance in their purchasing decisions within the market. According to the Muscat Securities Market, it appears that investors are more favorable to indicators that reveal straightforward and concrete performance, rather than accounting indicators, unless actual returns accompany them.

Table (9)

Regression results for Impact of Indicators DP on SP of the MSM

Variable	Fixed effect model			Random effect model		
	Beta	SD	P	Beta	SD	P
ROE	Beta	SD	P	Beta	SD	P
ROA	-0.052	0.198	0.787	-0.053	0.252	0.832
F-SIZE	0.473	0.707	0.505	-0.083	0.965	0.932
F-LIV	0.052	0.059	0.382	0.022	0.019	0.251
DY	0.252	0.252	0.320	0.361	0.212	0.089
RR	-0.373	0.130	0.005	-0.377	0.125	0.003
EPS	-0.162	0.054	0.004	-0.206	0.066	0.002
SD	-0.001	0.006	0.971	-0.006	0.006	0.294
G	1.886	0.806	0.021	0.763	0.578	0.187

R – square = 0.65

Hausman test p value = 0.000

Note: Significant at p-value less than 0.05.

3.4.6 Dividend distribution policy and stock prices in the BHB

The fixed effects model, which was adopted as the most appropriate model for analyzing the data of companies listed on the Bahrain Bourse as shown in Table (10), showed that there is a statistically significant positive effect of both dividends per share ($B = 0.824$, $p = 0.000$) and financial leverage ($B = 0.158$, $p = 0.019$) on the share price, indicating that well-performing firms in respect to profitability, growth, efficient use of debt financing and size, are more trusted by investors. These results are consistent with the findings of studies by (Dominika, 2019; Nagendra et al., 2019; Dewi & Suryana, 2016). In contrast, a statistically significant negative effect of dividend yield ($B = -0.222$, $p = 0.000$) on stock prices was observed, which may reflect that the dividends can only be interpreted by investors as poor growth prospects or poor efficiency of dividend reinvestment. This contradicts with studies by (Tshitadi, Vermaak, & du Plessis, 2024; Antoro, Sanusi, & Asih, 2020). The results also showed a non-statistically significant positive effect of ROE ($B = 0.381$, $p = 0.089$), ROA ($B = 0.414$, $p = 0.499$), and growth ($B = 0.057$, $p = 0.373$), suggesting that stock price volatility may be associated with market fluctuations that attract investor interest, consistent with the findings of (Prayoga, Dharma, & Sukmasari, 2022; WGU, 2021; Choiriyah, Fatimah, Agustina, & Ulfa, 2020). While retention ratio ($B = -0.626$, $p = 0.088$), earnings per share ($B = -0.063$, $p = 0.088$), and firm size ($B = -0.017$, $p = 0.418$) showed a negative but statistically insignificant effect, which may reflect that that some companies in Bahrain are dependent on other non-traditional variables to assess the market value of their shares which contradicts the findings of previous studies such as (Usman, Lestari, & Sofyan, 2020; Singh & Tandon, 2019; Handayani, Muharam, Mawardi, & Robiyanto, 2018). The coefficient of determination $R^2 = 0.65$, which shows that the independent variables adopted in the model explain 65% of the variation in stock prices. In short, the hypothesis H1a and H1e was rejected, while hypotheses H1b, H1c, and H1d were accepted. The main hypothesis, H1, was partially accepted, as not all of its components were statistically significant. Similarly, hypothesis H2 was partially accepted, as financial leverage had a statistically significant effect, while profitability and firm size was not statistically significant.

The study demonstrated that increment in dividends per share and prudent management of the debt result in increment in stock prices. Uninterrupted dividend payments and reasonable utilization of debt are considered by investors as the signs that a company is

profitable and has a bright future. This feeling of stability emboldens more individuals to invest and this increases the stock price. Conversely, increasing dividend yields may, in fact, drive away investors, the increasing dividend yield is usually a sign that the company has not much potential to grow or is not investing in itself.

Certain investors believe that paying high dividends could imply small reinvestment amounts, making the stock less appealing.

Furthermore, while variables such as return on equity, return on assets, growth, retained earnings, earnings per share, and company size did not show a significant impact on stock prices, this implies that their changes can be conditioned on such additional factors as irrational investor behavior or the variability in economic and political climate that disempowers the existence of the traditional indicators. These findings reflect the issues present in certain firms listed on the Bahrain Bourse, including low implementation of governance concepts and a lack of transparency in financial reporting, which could hinder the performance of accounting indicators in explaining stock fluctuations.

Table (10)

Regression results for Impact of Indicators DP on SP of the BHB

Variable	Fixed effect model			Random effect model		
	Beta	SD	P	Beta	SD	P
ROE	0.381	0.222	0.089	0.348	0.233	0.145
ROA	0.414	0.611	0.499	0.317	0.699	0.651
F-SIZE	-0.017	0.022	0.418	-0.024	0.006	0.000
F-LIV	0.158	0.066	0.019	0.173	0.065	0.008
DY	-0.222	0.044	0.000	-0.359	0.048	0.000
RR	-0.626	0.349	0.076	-0.242	0.439	0.582
EPS	-0.063	0.036	0.088	-0.006	0.043	0.890
SD	0.824	0.144	0.000	1.137	0.157	0.000
G	0.057	0.063	0.373	0.329	0.055	0.000
R – square = 0.65						
Hausman test p value = 0.000						
Note: Significant at p-value less than 0.05.						

3.4.7 Dividend distribution policy and stock prices in the Bourse Kuwait

Based on the results of the fixed effects model, which turned out to be the most appropriate for the analysis as shown in Table (11) in appendix (A), the study shows that there is a negative and statistically significant effect of both dividend yield ($B = -0.343$, $p = 0.000$) and growth ($B = -0.046$, $p = 0.000$) on stock prices in the Kuwaiti stock market, indicating that a dividend yield higher than the market average may be interpreted as a signal of weak growth prospects or reduced reinvestment opportunities, leading to a decline in the stock value, which is in contradicts with the findings of the studies of (Tshitadi, Vermaak, & du Plessis, 2024; Antoro, Sanusi, & Asih, 2020; Ohiaeri, Akinbowale, & Ogumeru, 2019). The results also showed a positive and statistically significant effect of dividends per share ($B = 1.357$, $p = 0.000$), Firm size ($B = 0.126$, $p = 0.002$), and financial leverage ($B = 0.291$, $p = 0.016$) on stock prices, reflecting that Kuwaiti companies that distribute generous cash dividends and enjoy large operational volumes and stable growth rates enjoy investor confidence, which is positively reflected in their stock prices, which is consistent with the results of (Yanti & Aprilyanti, 2020; Dewi & Paramita, 2019). ROA ($B = 0.125$, $p = 0.703$) was positive but not statistically significant, which is consistent with the findings of (Wijaya & Djajadikerta, 2018). In contrast, ROE, EPS, and retention ratio all showed negative and insignificant effects on stock prices, which is essentially the opposite of what studies like (Usman, Lestari, & Sofyan, 2020; Warrad, 2017; Majanga, 2015; Al Masum, 2014) found. The model's R^2 is 0.89, indicating that these independent variables account for 89% of the variation in stock prices. Hypotheses H1a and H1b were not supported, while H1c and H1d were, so the main hypothesis H1 is only partially accepted. The same applies to H2: leverage and firm size were significant, but profitability was not, so this hypothesis is also only partially accepted.

Dividends per share, firm size, and leverage all had a significant positive impact on stock prices in the Kuwait Stock Exchange. This is probably an indication of a high investor confidence in firms that have a stable financial base. Big companies are more likely to have a good reputation and financial management that would enhance investor confidence that the companies will be able to offer regular dividends. In addition to this, the right leverage is an indication that the company is able to effectively control its debt which will entice investors who are concerned with stability and reduced risk.

Conversely, dividend yield and growth rate showed negative, significant effects. This implies that the high payout ratios will be considered by investors that a company does not have a good growth or expansion prospect- that is, they are paying out rather than reinvesting which will diminish the value of the stock. The low impact of retained earnings, ROE, and EPS are in line with the agency theory, which implies that the measures have minimal effects on such conflicts of interest in Kuwait listed companies.

The non-significant positive effect of return on assets also supports the idea that dividend decisions do not significantly impact market value in relatively efficient markets, reflecting the complexities of the market environment and divergent investor expectations that go beyond traditional financial indicators. Kuwaiti companies' recent focus has been on enhancing the stability of dividends and expanding the size of the corporation through mergers and acquisitions, as well as diversifying the source of income beyond oil to ensure sustainable finances and attract a broader range of investors.

3.4.8 Dividend distribution policy and stock prices in the ADX

Based on the results of the fixed effects model shown in the table (12) in appendix (A), which was adopted as the most appropriate model for analysis based on the Hausman test ($p = 0.000$), it is clear that there is a statistically significant positive effect of each of the firm size ($B = 1.424$, $p = 0.004$), financial leverage ($B = 1.761$, $p = 0.022$), dividends per share ($B = 4.750$, $p = 0.001$), earnings per share ($B = 0.983$, $p = 0.001$), and growth ($B = 3.655$, $p = 0.000$) on the stock price. These findings indicate that a large size, which uses enterprising debt financing, make consistent payments of dividends, and experience good profitability and sustainable growth have higher investor confidence, which results in the higher stock prices. This finding is consistent with previous studies, including those by (Alqsass, Jaradat, Rexhepi, & Al-Gasawneh, 2023; WGU, 2021; Adam, Buckman, & Setordzi, 2020; Usman, Lestari, & Sofyan, 2020; Dewi & Paramita, 2019; Dominika, 2019). On the other hand, the results showed a statistically significant negative impact of dividend yield ($B = -4.014$, $p = 0.026$). They retention ratio ($B = -6.661$, $p = 0.000$), indicating that the investors could interpret high dividend to price ratio or overdependence on retained earnings to mean the lack of growth prospects or effective operations, which may lead to a lowering of the stock price. This contrasts with the findings of (Tshitadi, Vermaak, & du Plessis, 2024; Antoro, Sanusi, & Asih, 2020; Choiriyah, Fatimah, Agustina, & Ulfa, 2020; Singh & Tandon, 2019). Therefore, there is a statistically

insignificant negative effect of ROA ($B = -5.242$, $p = 0.071$) on stock prices, which indicates that the sources of these findings are the increased risk or modification of corporate policy, which investors may expect after the improvement of the ROA resulting in stock prices falling. This finding is consistent with the study by (Choiriyah, Fatimah, Agustina, & Ulfa, 2020). Similarly, a non-significant positive effect of ROE ($B = 0.012$, $p = 0.826$) on stock prices was found. These results contrast with those of previous studies by (Putri & Safitri, 2024; Mahirun, Jannati, Kushermanto, & Prasetiani, 2023). The coefficient of determination $R^2 = 0.91$, that shows that the independent variables adopted in the model explain 91% of the variation in stock prices. In summary, hypotheses H1a, H1b, H1c, H1d, and H1e were accepted. The main hypothesis H1, was fully accepted. Similarly, hypothesis H2 was partially accepted, as leverage and firm size had a statistically significant effect, whereas profitability did not have statistical significance.

In addition to the previous results, the statistically significant positive impact of dividends per share, earnings per share, company size, growth, and leverage on stock prices in the Abu Dhabi Securities Exchange (ADX) is consistent with agency theory. According to this theory, it may be interpreted as having a lesser conflict of interest between shareholders and management. When they pay regular dividends, a firm achieves a high rate of profitability, and they also experience an increase over time, the firm is conveying positive messages to the investors about the efficiency of the management and efficient use of resources, and the investor has little concern about misusing the profits and investing the resources in low-return projects. In addition, financially disciplined and transparent, large and well-controlled leveraged companies are better placed to attract the confidence of investors, hence their share prices increase.

Conversely, the statistically significant negative impact of both dividend yield and retained earnings can be explained in light of signaling theory, which suggests that a high dividend yield may be observed as a negative signal regarding weak investment opportunities of the company or its unsuccessful potential expansion projects, which will be returned in the form of dividends instead of reinvestments. Similarly, an extensive dependence on retained profits can be viewed either as evidence of a lack of a clear investment plan or as unnecessary EV retention, which raises questions about management's efficiency in handling resources and has an unfavorable impact on stock value. The other indicators that did not show statistical significance for both return on

assets and return on equity can also be understood through agency theory. This conclusion suggests that we cannot assume these indicators, despite their accounting importance, will have a decisive influence on investor decision-making in the examined market, due to possible variations in interpretation or challenges in identifying a direct correlation between asset performance and market return. Perhaps this suggests that investors have come to realize that non-financial variables, such as political stability, the regulatory framework, or even behavioral expectations, are stronger factors in their investment decisions. This is also in line with the sophistication of activities in the modern financial market environment, which is not measured solely by traditional indicators.

3.4.9 Dividend distribution policy and stock prices in the DFM

According to the findings of the fixed effects model which is displayed on Table (13) in appendix (A), which was adopted as the most appropriate model for the analysis, it is clear that there is a statistically significant positive effect of each of the ROE ($B = 10.14$, $p = 0.000$), dividends per share ($B = 3.442$, $p = 0.026$), and earnings per share ($B = 0.344$, $p = 0.002$) on the share price in the Dubai Financial Market. It means that businesses with a better performance towards distributed profitability and the return of equity attract more interest and trust of the investor community, and whether investors are interested or not determines the dynamics of share price increases, consistent with the results of previous studies such as (Mahirun, Jannati, Kushermanto, & Prasetiani, 2023; Adam, Buckman, & Setordzi, 2020; Nguyen, Nguyen, & Tran, 2020). Financial leverage also showed a statistically significant negative effect ($B = -18.36$, $p = 0.040$), meaning that high leverage to debt financing was associated with a lower stock price, which is consistent with previous studies (Dewi & Paramita, 2019). On the other hand, some variables showed an insignificant effect, such as ROA ($B = -48.17$, $p = 0.072$), indicating that the relationship between operational efficiency and stock price is not clear within the sample. Firm size ($B = 1.011$, $p = 0.599$), dividend yield ($B = -22.29$, $p = 0.286$), and retention ratio ($B = 4.310$, $p = 0.550$) also had no significant impact on stock prices, which can be explained with structural market facts or market conduct in the domestic setting. This contradicts previous studies by (Tshitadi, Vermaak, & du Plessis, 2024; Antoro, Sanusi, & Asih, 2020; Choiriyah, Fatimah, Agustina, & Ulfa, 2020; Dewi & Paramita, 2019; Singh & Tandon, 2019). Growth also showed a negative but significant effect ($B = -18.67$, $p = 0.001$), which can be related to instances where high growth might be perceived as a risk factor or

unsustainable growth. This is inconsistent with the WGU (2021). The coefficient of determination $R^2 = 0.80$, which shows that the independent variables adopted in the model explain 80% of the variation in stock prices. In short, the hypotheses H1a and Hb were rejected, while the hypotheses H1c, H1d, and H1e were accepted. The main hypothesis, H1, was partially accepted, as not all of its components were statistically significant. Similarly, Hypothesis H2 was partially accepted, as firm size had a statistically significant effect, while profitability and leverage were not.

Based on the previous findings, the statistically significant positive impact of return on equity, dividends per share, and earnings per share on stock prices in the Dubai Financial Market reflects investor confidence in the stable financial performance and high profitability of these companies. According to agency theory, this effect is attributed to reducing the conflict of interest between shareholders and management.

High and constant payouts and earnings per share represent the effectiveness with which the funds are being used by the management, sending positive signals to the shareholders on the sustainability of returns and the failure to misuse the profits. In addition, the performance of firms that record strong financial results enhances their market appeal, leading to an increase in their stock prices. The negative and significant impact of leverage and growth on stock prices can be explained by signaling theory. When growth is too high, it can sometimes be viewed as unsustainable or posing future risks, and investors will accordingly lower their estimate of the stock price. The leverage effect also suggests that excessive debt funding can exacerbate financial risk, as investors lose confidence, leading to a decline in the price of stocks.

On the other hand, the study results showed that the impact of dividend yield, retained earnings, return on assets, and company size on stock prices was not statistically significant. Such an explanation is possible through the agency theory, according to which accounting indicators might not be sufficient to influence investor choices in a complex market environment where other non-financial aspects, such as political stability and general economic conditions, are also involved. It indicates that the investors of the DFM will depend on a thorough evaluation that is not restricted to the conventional indicators, and the complexity of the investment environment to inform the behavior and financial decisions of the investors.

3.4.10 Dividend distribution policy and stock prices in the Saudi Stock Exchange (Tadawul)

According to the results of the fixed effects model shown in Table (14) in appendix (A), which was adopted as the most appropriate model for analysis, it is clear that there is a statistically significant positive effect of each of the company size ($B = 18.60$, $p = 0.000$), financial leverage ($B = 17.83$, $p = 0.001$), earnings per share ($B = 0.598$, $p = 0.000$), dividends per share ($B = 158.2$, $p = 0.000$), and growth ($B = 28.30$, $p = 0.000$) on stock prices in the Saudi Stock Exchange (Tadawul). That is an indication that the biggest companies are more appealing to investors (they raise their prices) because they have a larger growth in earnings with a moderate level of volatility. This finding is consistent with the results of studies such as (WGU, 2021; Usman, Lestari, & Sofyan, 2020; Dewi & Paramita, 2019; Marini & Dewi, 2019; Nasir, Diana, & Mawardi, 2018). In the Dubai Financial Market, high dividend payouts had a significant negative effect on stock prices ($B = -3876.1$, $p = 0.000$), as investors may perceive large dividends as a signal that the company is not investing enough in future growth, lowering stock valuations. In contrast, return on equity (ROE), return on assets (ROA), and retention ratio (RR) showed no significant impact on stock prices—ROE ($B = -1.353$, $p = 0.447$), ROA ($B = 19.06$, $p = 0.184$), and RR ($B = -2.293$, $p = 0.206$)—contradicting findings from (Choiriyah, Fatimah, Agustina, & Ulfa, 2020; Dewi & Paramita, 2019; Singh & Tandon, 2019). The model performed strongly overall, with an R^2 of 0.80, capturing 80% of stock price variation, and indicating that H1 and H2 were only partially accepted. Leverage and firm size were significant, while profitability measures were not.

Based on the previous results, the statistically significant positive effect of the company size, leverage, earnings per share, dividends per share, and growth on the stock price in the Dubai Financial Market shows the investor trust in the reliability of financial performance and the capacity of the companies to provide appealing returns. These findings, as per signaling theory, indicate that firms that grow steadily, pay dividends frequently, are sending positive information to the markets concerning the sustainability of their performance and future profitability, increasing their attractiveness to investors and increasing their stock prices. The agency theory also applies to the positive correlation between earnings per share and dividends per share as the two indicators minimize the information gap and conflict of interest between the management and the shareholders

hence illustrating efficient use of resources and creation of value to the investors. On the other hand, the large and large negative effect of total dividends on stock prices indicates that in certain cases, high dividends can be regarded as a signal of new investment opportunities insufficiency or low prospects of growth that adversely affect investor valuation. When it comes to the variable of return on equity, return on assets, and retained earnings, the findings indicated no meaningful difference, which might indicate that these variables are not useful in explaining the stock prices within this sample and are not adequate determinants in influencing investor analysis of the Dubai Financial Market. This is because of the involvedness of the market environment and non-financial environment overlaps, including the regulatory and economic environment.

3.5 Summary

The study results indicate that dividends play a crucial role in enhancing investor confidence and driving up stock prices in most regional markets, particularly in Saudi Arabia, Kuwait, and Abu Dhabi. This confirms the importance of consistent dividend policies as a positive factor in stock valuation. However, this effect appears to vary across markets, as it was insignificant in some markets, such as Oman and Qatar, reflecting differences in economic and institutional conditions. Conversely, the negative and statistically significant relationship of dividend yield across multiple markets on the other hand, implies that when firms have high dividends, sometimes it may be seen as one of the signs that they do not expect good growth, or even that they do not have good challenges on investment strategies thus highlighting the mixed relationship between Dividend Policy and corporate future prospects. Instead, retained earnings had an adverse impact on certain markets, including Abu Dhabi and Oman, which may indicate imprecise reinvestment strategies or inadequate financial reporting, affecting the reliability of the information to investors. Moreover, the increase in earnings per share and growth are other positive factors that are well correlated with the increase in stock prices in the majority of markets, demonstrating investors' desire to appreciate profitable performance and further development of companies. By comparison, the return on assets had no significant impact, meaning that the efficiency in utilizing assets does not play a major role in determining market value in these markets. Similarly, ROE and leverage also appear to play different roles in various markets, the extent of which is determined by local perceptions of risk and returns, as well as investors' confidence in debt financing.

Finally, the positive and significant effect of firm size on investor confidence in large companies in most markets confirms this, with variations in some markets due to local and behavioral factors. A combination of these findings suggests that dividend policies and financial performance variables interact differently with the structures and economic environment of each market. Hence, there is a need to consider analyzing individual market contexts before defining the relationships that these market factors have in determining stock prices in any given stock exchange in the region.

These findings indicate that the rigor and thoroughness of the analysis of the effect of Dividend Policy determinants on the stock prices of the stock exchanges in the region is high, and the study significantly captures the significant variation in different markets, as well as demonstrates an in-depth insight into the various economic and institutional environments. That the positive and negative contribution of some of the research factors are not identical, indicates that the study was mindful enough to nix on the complexities and differences that characterize every financial market. This contributes to its suitability in being a valid foundation of the manner in which various investors will behave and respond under specified financial circumstances. Also, the inclusion of the financial performance variables, including earnings per share, growth, leverage, etc., result in a balanced image that helps the decision-makers and investors adopt balanced financial strategies towards every market they enter. Table (15) in appendix (A) shows the type of impact of Dividend Policy on stock prices in each stock exchange.

Chapter Four

Conclusions and Recommendations

4.1 Introduction

In this chapter, the study's conclusions and recommendations are presented. It also elaborates on study limitations as well as the recommendations for future research.

4.2 Conclusions

Dividend Policy is an important factor affecting stock prices in financial markets, including those of the MENA region's stock exchanges. Investors consider dividends as one indication of a company's financial standing and the health of its cash flows; therefore, investors can have added certainty that contributes to a company's sustained earnings. Firms that have frequent and consistent dividend policies tend to generate interest among investors who seek a periodic payout, thereby making the stocks in demand and the company's value increase. On the contrary, dividend cuts or suspensions can be considered a negative signal of financial performance or an indication that the company is not reinvesting its profits in its business, such as expansion or debt repayment.

Dividend policy and stock prices are closely related, but the relationship is rarely direct. It is dependent on the characteristics of the markets, the behavior of the investors, and the economic macro. The underperforming dividends may lower the share prices at the expense of the expectation, but they are in the central of determining the perception of investors and the value of companies. Dividend policies receive close attention by researchers and investors since they are the most reliable indicators of market rating of the financial health and performance of a firm.

This study focused on how different aspects of dividend policy—retained earnings, dividend yield, cash dividends per share, growth, and earnings per share—affect stock prices across MENA exchanges. Control variables like the size of the company, leverage, return on assets and return on equity were incorporated to explain different financial environments. The analysis was based on financial data of 195 insurance and banking companies (2014-2024) consisting of 1,991 observations and the multiple linear regression was carried out with a fixed effects model calculated by Hausman test.

The most important findings are that earnings per share, dividends per share and growth rate have a positive impact on the stock prices according to the signaling theory because a consistent growth and frequent dividends increase the market confidence. The size and leverage of companies also influenced the stock prices positively which underlines the fact that structural issues can develop investor confidence. Nevertheless, the negative impact of return on assets was observed in certain markets indicating that high returns could be an indicator of risk or policy change whereas retain earnings and the mean of equity did not show any significant effects, which conforms to the hypothesis of dividend irrelevance of the efficient market.

In conclusion, dividend policy, along with firm size and leverage, plays a crucial role in explaining stock price variations in MENA markets. However, the small impact of conventional measures of profitability suggests that it is the broader forces that include local institutions, economic, and political environments, and the actions of investors themselves that influence market performance. To the regulators, the results are indicative of where governance, transparency, and disclosure standards can be enhanced. By focusing on such key indicators as earnings, dividends and growth, investors are better placed to make a decision, meanwhile by having sound governance, sound financial management, and credible reporting the company can be made more efficient and appealing in the market.

4.3 Recommendations

This study recommends the following:

1. Companies should adopt a clearly defined target dividend payout ratio that is periodically adjusted based on profitability and cash flow conditions.
2. Firms should link dividend distribution decisions to key financial indicators such as Earnings per Share (EPS), Return on Equity (ROE), and retained earnings.
3. Companies should apply dividend smoothing policies to avoid sharp fluctuations in payouts and maintain stock price stability.
4. Firms should formally disclose their dividend policy framework within annual reports, including criteria for distribution and retention.
5. Companies should improve asset and profit utilization efficiency by adopting measurable performance indicators such as Return on Assets (ROA).

6. Stock exchanges should expand the role of market makers to ensure continuous liquidity and reduce stock price volatility.
7. Regulatory authorities should enforce timely and equal disclosure of financial information and dividend announcements through unified electronic systems.
8. Companies should provide forward-looking dividend guidance to reduce uncertainty and support informed investor decisions.
9. Investment banks should offer structured financial advisory services to help firms design optimal dividend and pricing strategies.
10. Financial brokerage firms should produce standardized analytical reports that include key dividend-related indicators for listed companies.
11. Regulatory bodies should require detailed disclosure of retained earnings allocation, clarifying how profits are reinvested or distributed.

4.4 Limitations

The analysis of dividend policy effect on the stock price in the MENA region is significant, yet a number of issues make the study complicated. The biggest challenge is the untrustworthy financial data because most firms do not disclose adequate dividend or financial information or do it irregularly. These loopholes may misrepresent the sample and it becomes hard to be able to make general conclusions about the whole region.

The accounting standards and local regulations also make comparisons difficult. Every nation has a legal and financial structure, which affects the manner in which companies handle dividends and makes it difficult to identify overall trends. Moreover, there are numerous other factors affecting the stock prices than dividends, such as the state of the economy and political events, making the determination of the effect of dividend policy hard.

Research in the region often highlights on numerical analysis while overlooking human factors such as investor behavior, market culture, and typical investing habits. The failure to address these factors translates to a failure to appreciate the fact that dividends have little real impact on the price of stocks. Irrespective of these shortcomings, the research is helpful to investors, policymakers, and researchers as it identifies trends and correlations that need to be further examined.

One clear indication is the need for more transparent and consistent financial reporting across MENA markets. The increase of disclosure would allow more thorough and trustworthy studies. Lastly, the local environment such as regulations, economic environment and cultural practices are also important factors that determine how the market will react to dividends. Although the generalizations should be considered, the research provides the basis of further studies conducting investigations on the dividend policy and stock prices in the region.

4.5 Future Studies

Looking at how dividend policy impacts stock prices in MENA stock exchanges, it's clear there's still a lot to discover. To begin with, researchers ought to deal with data that covers a longer interval. That would provide us with a more appropriate idea of how recent economic and political changes have affected the relationship between dividends and stock prices. It is knowing what is really going on presently. Nonetheless, numbers analysis is not sufficient. It is so much deeper when you take into account such aspects as real investor behavior, the level of openness of companies regarding their financial data, and the wide disparities in regulations between the MENA countries. There are cases that even numbers are not able to justify the manner in which investors react to changes in dividends.

It also helps to look outside MENA. A comparison of these markets with others, both emerging and developed, could show whether the same tendencies can be found in other countries or MENA is peculiar. Such comparison gives a background to the findings and emphasizes the significance of the findings. These are not only areas of research that scholars should explore. The benefit could be gained by investors, business executives and the people involved in the financial markets of MENA. Good decisions are made through better research.

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Appendices

Appendix (A)

Tables

Table (11)

Regression results for Impact of Indicators DP on SP of the Bourse Kuwait

Variable	Fixed effect model			Random effect model		
	Beta	SD	P	Beta	SD	P
ROE	-0.069	0.112	0.534	0.018	0.100	0.855
ROA	0.125	0.327	0.703	0.024	0.346	0.943
F-SIZE	0.126	0.025	0.000	0.018	0.010	0.084
F-LIV	0.291	0.119	0.016	-0.107	0.071	0.130
DY	-0.343	0.047	0.000	-0.389	0.048	0.000
RR	0.001	0.001	0.352	0.001	0.001	0.495
EPS	0.014	0.047	0.775	0.017	0.050	0.730
SD	1.357	0.183	0.000	1.815	0.163	0.000
G	-0.046	0.018	0.013	0.003	0.018	0.879

R – square = 0.89

Hausman test p value = 0.000

Note: Significant at p-value less than 0.05.

Table (12)

Regression results for Impact of Indicators DP on SP of the ADX

Variable	Fixed effect model			Random effect model		
	Beta	SD	P	Beta	SD	P
ROE	0.012	0.058	0.826	0.039	0.082	0.633
ROA	-5.242	2.893	0.071	-16.99	3.919	0.000
F-SIZE	1.424	0.495	0.004	0.062	0.179	0.726
F-LIV	1.761	0.767	0.022	1.333	0.926	0.150
DY	-4.014	1.787	0.026	-6.788	2.198	0.002
RR	-6.661	0.925	0.000	-14.19	1.115	0.000
EPS	0.983	.2835	0.001	3.730	0.334	0.000
SD	4.750	1.465	0.001	7.128	1.618	0.000
G	3.655	0.669	0.000	2.168	0.831	0.009

R – square = 0.91

Hausman test p value = 0.000

Note: Significant at p-value less than 0.05.

Table (13)*Regression results for Impact of Indicators DP on SP of the DFM*

Variable	Fixed effect model			Random effect model		
	Beta	SD	P	Beta	SD	P
ROE	10.14	2.763	0.000	13.90	4.114	0.001
ROA	-48.17	26.60	0.072	-85.24	37.88	0.024
F-SIZE	1.011	1.916	0.599	3.616	1.087	0.001
F-LIV	-18.36	8.886	0.040	-32.91	8.764	0.000
DY	-22.29	20.83	0.286	-66.91	30.05	0.026
RR	4.310	7.196	0.550	-11.09	10.57	0.294
EPS	0.344	0.111	0.002	0.741	0.158	0.000
SD	3.442	1.534	0.026	9.621	2.141	0.000
G	-18.67	5.526	0.001	-15.99	6.386	0.012

R – square = 0.80

Hausman test p value = 0.000

Note: Significant at p-value less than 0.05.

Table (14)*Regression results for Impact of Indicators DP on SP of the Saudi Stock Exchange (Tadawul)*

Variable	Fixed effect model			Random effect model		
	Beta	SD	P	Beta	SD	P
ROE	-1.353	1.778	0.447	-1.778	1.919	0.354
ROA	19.06	14.30	0.184	28.59	14.97	0.056
F-SIZE	18.60	1.921	0.000	6.332	1.122	0.000
F-LIV	17.83	5.257	0.001	0.990	5.011	0.843
DY	-3876.1	554.9	0.000	-3979.2	572.8	0.000
RR	-2.293	1.809	0.206	-2.763	1.873	0.140
EPS	0.598	0.1048	0.000	0.704	0.094	0.000
SD	158.2	18.50	0.000	203.5	18.24	0.000
G	28.30	2.221	0.000	24.34	2.235	0.000

R – square = 0.80

Hausman test p value = 0.000

Note: Significant at p-value less than 0.05.

Table (15)*Summary of the Impact of Indicators DP on SP in Each Stock Exchange*

Impact	RR	DY	SD	G	EPS
Group Countries	Positive	Negative	Positive & sig.	Positive & sig.	Positive & sig.
PEX	Negative	Negative & sig.	Positive & sig.	Positive & sig.	Positive & sig.
ASE	Positive	Negative & sig.	Positive & sig.	Positive & sig.	Positive & sig.
QSE	Negative	Negative & sig.	Positive & sig.	Positive & sig.	Positive
MSM	Negative & sig.	Negative & sig.	Positive & sig.	Positive & sig.	Negative
BHB	Negative	Negative & sig.	Positive & sig.	Positive	Negative
Bourse Kuwait	Positive	Negative & sig.	Positive & sig.	Negative & sig.	Positive
ADX	Negative & sig.	Negative & sig.	Positive & sig.	Positive & sig.	Positive & sig.
DFM	Positive	Negative & sig.	Positive & sig.	Negative & sig.	Positive & sig.
Saudi Stock Exchange (Tadawul)	Negative	Negative & sig.	Positive & sig.	Positive & sig.	Positive & sig.



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كلية الدراسات العليا

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قدمت هذه الرسالة استكمالاً لمتطلبات الحصول على درجة الماجستير في المحاسبة، من كلية الدراسات العليا،
في جامعة النجاح الوطنية، نابلس - فلسطين.

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الملخص

تهدف هذه الدراسة إلى استكشاف تأثير سياسة توزيع الأرباح على أسعار أسهم الشركات المدرجة في تسع بورصات عربية، خلال الفترة من 2014 إلى 2024. تتضمن المتغيرات المستقلة في الدراسة عدة مؤشرات لقياس سياسة توزيع الأرباح: معدل الاحتفاظ بالأرباح، وعائد توزيع الأرباح، وتوزيعات الأرباح للسهم الواحد، والنمو، والأرباح لكل سهم. المتغير التابع هو سعر السهم في نهاية السنة المالية، ومتغيرات التحكم مثل حجم الشركة، والرافعة المالية، والربحية. استخدمت الدراسة منهجًا كميًا قائمًا على المنهج الوصفي التحليلي لاختبار الفرضيات. تكونت العينة من 195 شركة في قطاعي البنوك والتأمين موزعة على الأسواق المالية التسعة. تم تحليل البيانات باستخدام نماذج الانحدار الخطي ذات التأثيرات الثابتة والعشوائية. أظهرت النتائج أن معدل الاحتفاظ بالأرباح، وعائد توزيع الأرباح، وتوزيعات الأرباح للسهم الواحد، والنمو تؤثر بشكل كبير على أسعار الأسهم. ارتبطت الزيادات في هذه المتغيرات بارتفاع أسعار الأسهم في بعض البورصات، مما يعكس ثقة المستثمرين واستقرار السياسات المالية للشركات. في المقابل، لوحظ أن بعض العوامل، مثل الرافعة المالية، قد تؤثر سلبًا على أسعار الأسهم نتيجة لزيادة المخاطر المالية.

وخلصت الدراسة إلى أهمية اعتماد سياسات توزيع أرباح متوازنة ومتوافقة مع الأداء المالي وفرص الاستثمار المتاحة، إذ تُسهم هذه السياسات في استقرار أسعار الأسهم وجذب المستثمرين. لذلك، يُوصى بإجراء دراسات

مستقبلية تتناول تأثير التغيرات الاقتصادية الكلية والتغيرات في السياسات المالية والنقدية على العلاقة بين سياسة توزيع الأرباح وأسعار الأسهم.

كلمات مفتاحية: سياسة توزيع الأرباح، أسعار الأسهم، معدل الاحتفاظ، عائد توزيعات الأرباح، توزيعات الأرباح لكل سهم، النمو، الأرباح لكل سهم، الشركات المدرجة، بورصات الشرق الأوسط وشمال أفريقيا