

Dividend Policy at the Amman Stock Exchange: The Stability Issue in the Banking Sector

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Abstract: Dividend policy is probably one of the most important corporate finance issues. This decision has been examined in terms of its “stability” and “Determinants”. This thesis examines dividend policy stability and determinants of listed Jordanian banks. Based on the time period 2000-2014, and panel-data analysis (fixed-effect model), the results indicate that Jordanian banks follow stable dividend policy. In addition, the results reflect that the lagged dividend per share is the most consistent in its impact on dividend policy. Based on the estimated results, it is recommended that the banking sector to be compared with other sectors that are listed on the Jordanian stock exchange.

Keywords: Dividend policy, stability, Jordanian

INTRODUCTION

Financial management, or corporate finance, examines a number of long-term and short-term financial issues / decisions. In addition, it is known that the implicit assumption of finance is to manage the firm in the interest of shareholders and that is to maximize its market stock price [1].

The long-term decisions cover investment in assets, financing the assets, and how to distribute the profits that result from using the assets (dividend policy).

As far as the investment decision is concerned, the aim is to choose those projects which can achieve economic profit. This is why concepts like cash flow, uncertainty, risk, cost of equity capital, risk premium, systematic risk, risk-free return and others, and techniques like the net present value analysis are relied on by financial managers before they commit their firms' funds into investment ideas.

Similarly, the financing decision, whose objective is to minimize the cost of capital, is responsible for determining the ratio of debt (leverage) to equity that results in minimizing the average of the two sources of finance (weighted average cost of capital).

Here, and on average, it is useful to note that while debt is a cheaper source of finance than debt (because of risk and tax shield), corporate finance does not provide financial managers with any precise equation to help them determine their respective debt

to equity ratios. Actually, there are factors that they can use like assets tangibility, profitability, stock liquidity, and others.

Finally, the third long-term financial issue is dividend policy. Within this context, and similar to the capital structure question, it is also useful to note that while a lot of research examines dividend policy of firms, there is also no equation that can be used by managers to help them establish their companies' dividend policy. Again, what there are are factors which are known to affect dividend policy like previous dividend policy, profitability and size of the firm, and others.

In addition to the above-mentioned financial issues / decisions, finance examines other decisions (short-term) like cash and marketable securities and their determinants, and accounts receivable and their determinants, and others including, for example, the question of leasing (lease or buy).

As far as dividend policy is concerned, it is known that what proportion of net income is distributed is distributed to shareholders impacts the debt to equity ratio (capital structure).

This argument is based on the fact that dividend policy, not only might affect the market capitalization of the firm, but also its retained earnings. This simple argument or fact implies that this decision (dividend policy) can affect the weighted average cost of capital and as a result, affect the investment ability of firms. In other words, dividend policy is extremely important in the ability of firms to grow and compete.

The fact that dividend policy is important for, shareholders and management of firms, the finance literature has examined this decision made by all sorts of listed firms form a long time. Moreover, if one looks at this literature, at least in its empirical version, one cannot but state two observations:

First, some studies examine what is called the stability of dividend policy. In other words, this line of examines whether or not firms maintain stable dividend per share or they follow unstable policy.

To examine the empirical content of this decision, these ers regress current dividend on their respective lagged values. In other words, if the coefficient of the lagged dividend per share proves to be positive and statistically significant, such a finding or result, implies that firms follow stable dividend policies.

Based on the above, firms do not tend to change their cash dividends (positively or negatively) unless they think that the change in their accounting performance (net income) is long-term or permanent.

This argument means that even in some years, if a firm makes accounting losses, to maintain dividend policy, one finds that it distributes cash dividends to its shareholders.

Second, many studies examine what can be referred to as the determinants of dividend policy. In other words, using a sample of firms (cross section element of the data) and based on a given period (the time series element of the data), this attempts to examine the impact of each of "several factors" impact on their dividend policy.

Here, it is important to note that the finance literature does not have a definitive list of factors, or equation, which can be used in analyzing the dividend behavior of firms. All what finance has is "factors" which might affect dividend policy. This is why all studies that examine what determines dividend policy consider various factors like, for example, firms' profitability, firm size, and the ownership structure of the firm.

Relative to the above brief presentation of what corporate finance is about; this thesis examines the dividend policy of listed Jordanian banks. The reasons for choosing banks only are three.

First, the banking sector is different from other sectors in terms of their risk and type of business.

Second, banks constitute a large percentage of the Jordanian market in terms of their assets, and even of the taxes they pay. Indeed, banks pay more than 50

percent of the taxes paid by all listed firms. In other words, this sector is important.

Third, to examine dividend policy, it is always better to concentrate on a sector, as opposed all sectors, in the same analysis.

PROBLEM

The questions, or problems, that this thesis considers are two. These are expressed below.

- During the time period 2000-2014, how did listed Jordanian banks behave in terms of their dividend policy? Did they follow stable policy?
- Can we model what can be called the determinants of dividend policy of listed Jordanian banks? During the period 2000-2014, did factors like firm / bank profitability have any impact on their dividend policy?

IMPORTANCE

Like in any thesis, it is good to argue for where the importance of this this lies. In this thesis, we can argue that examining the dividend policy of listed Jordanian banks is important for a number of reasons.

First, it is a fact that how much of their profits firms distribute do affect their debt to equity ratio. After all, retained earnings are part of their equity. In addition, dividend policy might impact the market value of their stocks. In other words, dividend policy affects the weighted average cost of capital.

Second, it is useful to examine the dividend policy of just one specialized sector. In our case, this sector is listed Jordanian banks.

Third, the banking sector in Jordan and in the capital market is extremely large. For example, their market capitalization is equal to about 50 percent of the capitalization of the whole market. In addition, this sector only pays more than 50 percent of all taxes paid by all listed firms.

OBJECTIVES

The main objectives of this are three:

- To report the dividend policy of listed Jordanian banks during the period 2000 – 2014.
- To examine whether or not listed Jordanian banks follow stable dividend policy.
- To examine the determinants of dividend policy of listed Jordanian banks.

DIVIDED POLICY: A REVIEW OF THE LITERATURE

Before the development of any serious theoretical or empirical papers which examine dividend

policy, it is interesting to note that Lintner [2] was one of the firsters to look into this decision.

Lintner [2] developed a very simple econometric model that looked as follows:

$$DPS_{i,t} = \alpha_1 + \beta_1 EPS_{i,t} + \beta_2 DPS_{i,t-1} + \varepsilon_{i,t} \quad (1)$$

Where $DPS_{i,t}$ is the dividend per share in time period or year t for company i , $EPS_{i,t}$ is earnings per share in time period t , and $DPS_{i,t-1}$ is simply the lagged value (by one year) of the dividend per share for company i .

Based on the above model (1), one can state that if the estimated coefficient of the lagged dividend per share (β_2) is found positive and statistically significant, such a finding means that the group of firms, whose dividend policy is examined, follow what is referred to in the literature "stable dividend policy".

On the other hand, if the estimated coefficient of the lagged dividend per share is not significant, this implies that the examined firms do not follow stable dividend policy. They tend to change the dividend per share from year to another.

Finally, one must also consider the case where the estimated coefficient of the lagged dividend per share variable is negative and significant. Such an empirical finding means that the firms tend to change their dividend policy every year (more or less). By change it is meant that increases in dividend per share tend to be followed by decreases and decreases tend to be followed by increases.

As simple as the model developed by Lintner [2] might be, it has led to the publication of many similar studies. Some of the international studies are published by Brittain [3], Fama and Fabiak [4], Fama [5], Dwenter and Warther [6], Kato and Lowenstein [7], Lasfer [8] Adaoglu [9], Dhanani [10], Mancinelli and Ozkan [11], Kuzucu [12], Firth *et al.* [13], and others.

On average, the above-mentioned studies report that listed companies adopt stable dividend policies. Indeed, and on average, their respective estimated coefficients of the lagged dividend per share are found to be not only positive and significant, but also large. On average, the value of this coefficient (lagged dividend per share) is equal to +0.70.

In addition, listed firms on emerging and developing stock markets have also been looked in terms of their dividend policy stability. One of these studies is published by, the Ben Naceur *et al.* [14]. Based on their results, Ben Naceur *et al.* [14] conclude that their sample of Tunisian listed firms follow stability in setting their dividend policy. However, whilst positive and significant, the coefficient of their

lagged dividend per share was found to be much smaller than those in the developed markets (+0.247).

Listed Arab firms have also been exposed to this line of. For example, the Abu Dhabi listed firms, Tunisian listed firms, Saudi Arabian listed firms, and firms listed in Bahrain, Egypt, Jordan, Kuwait, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, and the UAE have been ed in terms of dividend policy by Manneh and Naser [15], Echchabi and Azouzi [16], Abella *et al.* [17], and Jabbouri [18] respectively.

Within the context of the same subject, an influential paper by Aivazian *et al.* [19] examined dividend policy stability of firms in a total eight developing countries and a total of 100 American firms during the period 1981-1990.

Based on their results, one can clearly see that stability degree in the case of the American firms is higher than in the developing countries. In more specific terms, the coefficient of the lagged dividend per share for the US firms was equal to +0.809 and this is much higher than its equivalent for the developing firms (between +0.083 and +0.120 in Turkey and +0.611 and +0.580 in Zimbabwe).

Following the published works that examine stability in dividend policy, other ers have started to examine the determinants of dividend policy itself. In other words, this literature looks into what factors, apart from the lagged dividend per share, might impact firms' dividend policy.

Based on various econometric techniques, including panel data analysis, this literature regresses dividend policy (cash dividends divided by total assets) on a number of possible explanatory variables. In actual fact, many factors are considered including the followings:

Return on Assets

Based on what is called the signaling role of dividend policy, which argues for a positive impact of firm profitability on its dividend policy [20], many ers have reported such a relationship (positive) including Ooi [21] Faccio and Lang [22] Goergen *et al.* [23], and others.

Firm Growth opportunity

Based on what is called the pecking order theory [24], which argues that firms which have good growth opportunities, such firms tend to pay less dividends than those with poor opportunities.

Firms with growth opportunity tend to keep their retained earnings as a finance source of their future investment projects. Similar to the return on assets variable, this variable is supported by the

empirical findings of papers by Gaver and Gaver [25], Charitou and Vafeas [26], and Ooi [27]

Firm Size

Firm size, measured by various proxies like total assets, or total sales, is expected to impact dividend policy in a positive manner. The argument is simple. Large firms find it easier whenever they need, to approach the capital market and issue new financial securities. This difference makes large firms less reliant on retained earnings as a source of finance. This conclusion or argument is supported by the findings of Marsh [28], Adedeji [29], Charitou and Vafeas [26], Holder *et al.* [30], and Ooi [27].

Relative to the above, it is that Eije and Megginson [31], report five main findings regarding dividend policy in the developed countries.

First, the proportion of American industrial firms distributing cash dividends has decreased very sharply over the past five decades. This proportion decreased from 66.5 percent of listed firms in 1978 to only 20.8 percent in the 1990s. In other words, firms are keeping more of their profits in retained earnings.

Second, Grullon and Michaely [32] report an increase in the number of US companies repurchasing their shares since 1982. This way of distributing corporate cash to shareholders is not only tax-favoured but also more flexible than paying regular cash dividends. Naturally, the tax advantage lies in the fact that tax is less on capital gain than on dividend per share.

Third, Weston and Siu [33] report that US firms' cash dividend payout ratio increased from about 40 percent in 1971 to around 60 percent in the 1990s.

Fourth, DeAangelo *et al.* [34] report that dividends and earnings are increasingly becoming more concentrated in a limited number of firms. Only 25 firms account for more than half of all industrial earnings and dividends. In addition, the increase in dividends of these firms is much more than other firms decreasing dividends.

Fifth, there is evidence which shows that dividends are coming back in fashion. For example, Julio and Ikenberry [35] report a significant increase in the proportion of American industrial firms that distribute cash dividends since 2001. This increase is probably explained by the 2003 Bush Tax Cut.

SUMMARY AND CONCLUSION

As mentioned above the classical papers, published by Lintner [2], Fama and Blahnik [4], have encouraged many researchers to examine the stability issue of firms' dividend policy.

Based on this literature, one can conclude that most of the results show that firms tend to follow stable dividend policies. This is really not surprising because of one simple fact. On average, shareholders "prefer" to know with some certainty what to expect every year or every quarter how much they are going to receive in cash dividends. They prefer to time their consumption or investment.

In addition, the empirical literature that examines dividend policy in its stability aspects points out to one difference between firms in developed and developing countries. In the developed countries, firms follow more stable dividend policy than those in developing countries.

Following this (stability of dividend policy), what determines dividend policy has also been attracting good effort. In other words, this line examines other factors that might impact dividend policy. However, based on this literature, we can conclude by stating the following: Different firms consider different factors. There is no definitive list of factors that are found to affect dividend policy of firms around the world. There are only possible determining factors.

THE DATA AND METHODOLOGY

As stated in before, the aim of this study is to investigate whether or not listed Jordanian banks follow stable dividend policy. In addition to examine other determinants of their dividend policy.

To investigate the stability issue of dividend policy, the time period that will be used covers the period 2000-2014.

Based on this time period, we managed to have a total of 8 banks in the analysis for dividend policy stability. Two banks are excluded because they did not have at least 8 years during which they distributed dividend. This is important because the exercise is to measure stability. In other words, one must have sufficient number of years during which actual cash dividend are distributed.

There is no statistical rule on how to determine the number of years during which firms distribute cash dividends to be included in the analysis. We have decided to include those banks that did distribute cash dividend in 8 years as this number is equivalent to more than 50 percent of the years (53 percent to be precise).

As far as the determinants of dividend policy regression estimates, the managed to have the data for a total of 12 banks.

In his paper, Lintner (1956) estimated the following:

$$D_{i,t}^* = r_i P_{i,t} \quad (2)$$

$$D_{i,t} - D_{i,t-1} = \alpha_i + c_i (D_{i,t}^* - D_{i,t-1}) + \varepsilon_{i,t} \quad (3)$$

Where $D_{i,t}^*$ is the optimum level of dividends in year t (company i), r_i is the target payout ratio, $P_{i,t}$ is the level of net profit, $D_{i,t}$ is the actual dividend payment in time period t , and $\varepsilon_{i,t}$ is the error term.

This expression (3) reflects that dividends are not adjusted to their optimum level immediately. In other words, they are partially adjusted in each period.

The positive α_i (constant) reflects that companies are reluctant to cut dividends.

The coefficient (c_i) reflects the stability in dividend changes and signifies the fact that companies may not wish to immediately adjust dividend payments to the target payout ratio (r_i).

The adjustment factor reflects management's response in setting dividend policy based on the change in the level of earnings ($P_{i,t}$).

The greater the value of the adjustment factor, the greater is the response level to changes in earnings. In other words, if the adjustment factor is equal to +1, one can conclude that firms do not smooth dividends and if it is equal to zero, they follow maximum smoothing in their dividend policy.

If we put expressions (2) and (3) together or combine them, we have the following model:

$$D_{i,t} = \alpha_{i,t} + bP_{i,t} + dD_{i,t-1} + \varepsilon_{i,t} \quad (4)$$

where $b = cr$ and $d = (1-c)$.

To test for the stability of dividend policy, the above model (4) can be re-written as follows:

$$DPS_{i,t} = \alpha_1 + \beta_1 EPS_{i,t} + \beta_2 DPS_{i,t-1} + \varepsilon_{i,t} \quad (5)$$

where $DPS_{i,t}$ is dividend per share in time period t (company i) and $EPS_{i,t}$ is earnings per share in time period t (company i).

If the firms maintain stability in their dividend policy, the sign of the coefficient of the lagged dividend per share (β_2) must be positive and significant. In addition, we also expect the sign of the coefficient of earnings per share (β_1) to be positive and significant.

To estimate model (5), we employ the panel data methodology. We use the pooled ordinary least squares, the fixed effects model, and the random effects model to choose the appropriate model for our sample.

In addition, and based on the international empirical evidence, the following panel regression model is estimated:

$$DTA_{it} = \alpha_0 + \alpha_1 SIZE_{it} + \alpha_2 EPS_{it} + \alpha_3 ROA_{it} + MVBV_i + \varepsilon_{it} \quad (6)$$

Where DTA is cash dividends divided by firm assets.

The independent variables include bank size (the natural logarithm of total assets), EPS (earnings per share), return on assets (ROA), and MVBV (ratio of market value to book value).

Based on the above, we have the following hypotheses: Lagged dividend per share has not impact on current dividend per share.

Bank size has no impact on dividend policy.

Bank earnings per share on dividend policy.

Bank market to book ratio has no impact on dividend policy.

THE EMPIRICAL RESULTS

As customary, it is always useful to provide the reader with some basic descriptive statistics of the data. This is important because such presentation makes one understand the data that enter into the statistical analyses.

In Table 1 and 2, we present the descriptive statistics for the data used in examining dividend policy stability.

Based on these two Tables, we can conclude a number of conclusions.

First, the overall mean values of dividend per share and earnings per share are equal to 10.38 pence and 24.56 pence respectively. This implies that, on average, our sample of 8 banks distributed about 40 percent if their income in cash dividends.

Second, as far as stability of dividend policy is concerned, the results reported in Table 2 clearly support stability. The coefficient of the lagged dividend per share is equal to +0.4157 and this is statistically significant at the 99 percent level. In addition, it is important to note that this coefficient is greater than the coefficient of earnings per share (+0.1383). This indicates that banks place more weight on what distributed previously (previous year) than they place on current earnings.

Table-1: Descriptive Statistics: Stability of Dividend Policy

Measure	Dividend Per Share	Earnings Per Share
Mean	0.1038	0.2456
Median	0.1000	0.2201
Maximum	0.3500	0.8348
Minimum	0.0000	-0.0867
Standard Deviation	0.0798	0.1703
No. of Observations	120	

Table-2: Regression Estimates: Dividend Policy Stability

Variable	Coefficient	t-Statistic
Constant	0.0313	1.6399
Lagged Dividend Per Share	0.4157	3.0920*
Earnings Per Share	0.1383	3.8945*
Adjusted R-Squared	0.7042	
F-Statistic	30.363*	
D-W Statistic	1.927	
*Significant at the 99 percent confidence level.		

In Table 3, 4, and 5 below, we report the overall mean, and other measures, of our main dependent variable (dividend per share) that enter into the analysis of the determinants of dividend policy.

In Table 3, we report the overall mean and other measure for our main variable (dividend per share). In Table 4, we report the annual mean values of dividend per share. Finally, in Table 5, we report the overall mean (and other measures) for the rest of the variables which are used in the statistical analyses.

If one looks at Table 3 and 4, one can note the followings:

First, the overall mean value of dividend per share is equal to 0.0745. This number means that, on average, banks distribute 7.45 pence per share (Table 3).

Second, the maximum and minimum values of dividend per share during the period 2000-2014 were equal to 35 pence and zero pence respectively. This means that there is some great variation in the dividend policy of our sample of banks.

Third, on average, and during the period 2000-2014, our sample of banks reflect increases in dividend per share and not constant or decreases. For example, during the period 2000-2007, the mean dividend per share was equal to 5.27 percent. This value was equal to 8.19 percent during the period 2008-2014 (Table 4).

Forth, during the second sub-period (2008-2014), the standard deviation of mean dividend per share was also higher than in 2000-2007. These values were equal to 6.89 percent in 2000-2007 and 8.48 percent in 2008-2014 (Table 4).

Table-3: Descriptive Statistics Dividend Per Share (2000-2014)

Measure	Value
Mean	0.0745
Median	0.0600
Maximum	0.3500
Minimum	0.0000
Standard Deviation	0.0798
No. of Observations	180

In addition to the Tables-3 and 4, we report in Table 5 some descriptive statistics for all the other variables. Again, based on the figures which are noted in the Table (5), the points or comments that be made are:

First, the overall mean value of earnings per share is 19.85 percent. As one might expect, there is some great difference between the minimum and maximum values of this measure. Indeed, in a given

years, and for a given bank, the minimum value of earnings per share was equal to -35.70 pence.

Second, the Bank Size has the highest standard deviation amongst all four variables. This value (standard deviation) is equal to 86.41 percent.

Finally, the standard deviation of bank profitability reflects the lowest value (Table 5). This is expected given the fact that banks return on assets

usually change within low margins. Banks are highly levered firms, and unlike other sectors, their return on assets is much lower.

Table-4: Annual Dividend Per Share (2000-2014)

	Mean Dividend Per Share	Standard Deviation
2000	0.0354	0.0467
2001	0.0375	0.0575
2002	0.0617	0.0683
2003	0.0417	0.0701
2004	0.0625	0.0742
2005	0.0517	0.0839
2006	0.0783	0.0881
2007	0.0858	0.0931
2008	0.0798	0.0719
2009	0.0733	0.0719
2010	0.0900	0.0897
2011	0.0103	0.0806
2012	0.0933	0.0863
2013	0.1033	0.0916
2014	0.1193	0.0935
Mean 2000-2007	0.0527	0.0698
Mean 2008-2014	0.0819	0.0848

Table-5: Other Variables: Descriptive Statistics

Measure	Earnings Per Share	Bank Size	Return on Assets	Market Value to Book Value
Mean	0.1985	20.600	0.0124	1.5492
Median	0.1640	20.6065	0.0130	1.2645
Maximum	0.8350	22.7510	0.0500	5.3480
Minimum	-0.3570	17.7930	-0.0550	0.5190
Standard Deviation	0.1659	0.9350	0.0098	0.8641

Table 5: Annual Earnings per Share (2000-2014)

Year	Mean Earnings Per Share	Standard Deviation
2000	0.0918	0.1114
2001	0.1113	0.1555
2002	0.0834	0.1969
2003	0.1586	0.1708
2004	0.2656	0.1532
2005	0.4109	0.2448
2006	0.2438	0.1126
2007	0.2118	0.1579
2008	0.2088	0.1203
2009	0.1752	0.1159
2010	0.2087	0.1419
2011	0.1704	0.1387
2012	0.1908	0.1372
2013	0.2123	0.1449
2014	0.2343	0.1368
Mean 2000-2007	0.1972	0.1629
Mean 2008-2014	0.2001	0.1337

Finally, we report in Table 6, the mean annual values of earnings per share and their respective standard deviations. This Table reflects that unlike

dividend per share, in the two sub-periods (2000-2007 and 2008-2014), the mean annual differences in

earnings per share and their standard deviations do not differ significantly.

On average, during the period 2000-2007, the mean value of earnings per share was equal to 19.72 percent and this close to its value during 2000-2014 (20.01 pence).

Following the descriptive statistics presentation, we now present the empirical results for the determinants of dividend policy. These results are reported in Table 6 below.

Table-6: Estimation Results: Dividend Policy

Variable	Coefficient	t-Statistic
Earnings Per Share	0.1816	3.4149*
Size	0.0114	1.8391*
Market to Book Value	-0.0168	-2.8415
Lagged Dividend Per Share	0.293	2.7093*
Adjusted R-Squared	0.7694	
F-Statistic	35.8148	
D-W Statistic	2.0189	

Based on the reported coefficient, one can see that earnings per share have a positive coefficient and significant at the 99 percent confidence level. Similarly, the lagged dividend per share is significant.

As far as the other factors are concerned, we can see that the market to book value is not significant. However, bank size is significant in its impact on dividend policy. Larger banks tend to distribute more dividends than smaller banks.

To examine whether or not these results are dependent on the time period used in the analysis, we re-estimate the model based on two sub-periods (2000-2007 and 2008 and 2014). These results are reported in Tables 7 and 8 below.

On average, the results do reflect some changes. In other words, the results are time-dependent. The main difference between the results is bank size. In the first sub-period, while its coefficient is positive and significant, in the second it is no longer significant.

Table-7: Estimation Results: Dividend Policy (2000-2007)

Variable	Coefficient	t-Statistic
Earnings Per Share	0.221	2.8183*
Size	0.0233	1.6870**
Market to Book Value	-0.0233	-3.9827*
Lagged Dividend Per Share	0.1872	1.3198***
Adjusted R-Squared	0.7342	
F-Statistic	14.5756	
D-W Statistic	2.0198	

Table-8: Estimation Results: Dividend Policy

Variable	Coefficient	t-Statistic
Earnings Per Share	0.3073	1.8736**
Size	0.0164	0.9394
Market to Book Value	-0.0245	-1.0048
Lagged Dividend Per Share	0.1981	2.0016**
Adjusted R-Squared	0.8698	
F-Statistic	35.6559	
D-W Statistic	1.9265	

The fact that the results are time-dependent this proves what was stated in the first chapter. There is really no single equation or no given set of variables that explain dividend policy. There is a set of variables which might and might not affect dividend policy. This observation makes the issue of dividend policy (and capital structure) an empirical issue. In other words, the results depend on the country in which the firms (banks) operate, and on the time period.

SUMMARY AND RECOMMENDATIONS

As far as dividend policy is concerned, the literature deals with a number of issues including its stability issue and determinants issue.

This looked at the Jordanian banking sector in terms of two questions and these are:

- Do listed Jordanian banks follow stable dividend policy?
- Can we model what can be called the determinants of dividend policy of listed Jordanian banks?

Based on the time period 2000-2014, the results of this thesis indicated that listed Jordanian companies follow stable policies. In addition, the results indicate that lagged dividend per share is consistently significant in all the estimated models.

Based on the analysis, it would be useful to compare the dividend policy of listed Jordanian banks with other banking sectors in the region and international. In addition, it would be interesting to compare the dividend policy of listed Jordanian banks with other listed Jordanian firms. Finally, it is also interesting to examine the determinants of the stock prices of listed Jordanian banks and relate them to not only dividend per share, but also earnings per share and book value per share (value relevance).

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