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**Analyzing the relationship between dividend policy and financial performance: An empirical study of firms listed in the S&P500 Index**  
تحليل العلاقة بين سياسة توزيع الأرباح ومستوى الأداء المالي: دراسة قياسية على عينة من الشركات المدرجة في مؤشر S&P 500

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## Abstract:

The dividend policy is an important issue in financial management, particularly in evaluating institutional performance, as dividends primarily benefit shareholders in return for investing their capital with the expectation that appropriate dividend decisions will reflect positively on performance. Thus, the proper selection and application of a dividend policy is a key factor in performance evaluation. This study aims to empirically examine the extent to which dividend policy, measured by dividend per share (DPS), influences the financial performance of 168 economic institutions included in the S&P 500 index from 2010 to 2019. Panel data was used to address the research problem and test the hypothesis. The findings revealed that dividend policy exerts a positive and statistically significant influence on return on assets (ROA). Additionally, the study showed that financial leverage and firm size, as control variables, have a negative effect on the financial performance of the institutions analyzed.

**Key Words:** dividend policy; financial performance; return on assets; Panel Data; S&P500 Index.

الملخص:

تعد سياسة توزيع الأرباح مسألة محورية في الإدارة المالية لاسيما فيما يتعلق بتقييم أداء المؤسسات، حيث توجه الأرباح بشكل أساسي لصالح المساهمين مقابل استثمارهم لرؤوس أموالهم في المؤسسة، انطلاقاً من توقعهم أن تنعكس قرارات التوزيع الملائمة إيجاباً على الأداء؛ وعليه فإن الاختيار السليم وتطبيق سياسة توزيع الأرباح يعد عاملاً رئيسياً في تقييم الأداء، وتهدف هذه الدراسة إلى اختبار العلاقة تجريبياً بين سياسة توزيع الأرباح المقاسة بنسبة الأرباح الموزعة للسهم (DPS) والأداء المالي لعينة مكونة من 168 مؤسسة اقتصادية مدرجة ضمن مؤشر S&P 500 خلال الفترة 2010-2019، بالاعتماد على بيانات بانل لمعالجة الإشكالية واختبار الفرضية، وقد أظهرت النتائج أن سياسة توزيع الأرباح لها تأثير إيجابي وذو دلالة إحصائية على العائد على الأصول (ROA)، كما بينت الدراسة أن كلا من الرافعة المالية وحجم المؤسسة باعتبارهما متغيرين ضابطين يؤثران سلباً على الأداء المالي للمؤسسات المدروسة.

الكلمات المفتاحية: سياسة توزيع الأرباح؛ الأداء المالي؛ العائد على الأصول؛ بيانات بانل؛ مؤشر S&P 500.

## 1. INTRODUCTION

In light of the fast and dynamic alter, that the global economy has witnessed, the institution finds itself enforced to work within a competitive environment full of many risks. This leads it to take a position in the market through enhancing its performance in different operations, the financial performance is considered as one of the crucial pillars institutions since it allows enterprises to know its real situation. As, it determines its efficiency in utilizing the available resources and its ability to achieve its established objectives, particularly its core objective of maximizing firm value, which

stands as a central principle in modern financial theory and serves as a foundation for ensuring the institution's long-term viability and sustained presence in the market.

Dividend policy represents a central theme in financial management due to its significant influence on a firm's financial performance, as it plays a vital role in shaping the institution's financial outcomes. It is the regulations and guidelines that the institution uses to determine whether it will distribute profits to shareholders or keep a part of it as retained profits for re-investment for Achieving additional profits, i.e., the policy

that the institution follows regarding the profits achieved will affect its financial performance.

The dividend distribution policy adopted by the institution is considered as a device for communicating information related to the institution's financial situation, both present and expected, to investors. The cash dividend announcement also conveys valuable information owned by the shareholders about the management evaluation of the institution's future profitability.

Despite the numerous studies carried out by researchers on the relationship of dividend policy to financial performance, however, there were contradictory views on supporters and opponents, as there are researchers who have revealed that institutions that distribute high profits achieve large profits in the future, but at a relatively low profit growth rate. However, other researchers have concluded that future profit growth is linked to high, not low, dividend distribution. On the other hand, some researchers believe that paying low dividends leads to profit growth at a significant rate. Moreover, as an extension of the efforts of researchers in this field, Accordingly, this research aims to offer new empirical insights drawn from the U.S. market setting concerning the linkage between dividend distribution practices and firms' financial performance.

### 1.1 Study problem:

Dividend policy constitutes a key component of an institution's financial framework and has attracted considerable attention from researchers, which led to differentiations in ideas on dividend distribution to shareholders or keeping a part

of it for re-investment in the future, and since the goal of the listed institutions is to maximize their value and improve their performance. Therefore the Corporation is responsible for achieving this goal by following an appropriate dividend policy. raises the central issue of whether dividend policy has an influence on the financial performance of economic institutions listed in the S&P 500 index. Based on this, the following research question is proposed:

### **How does the dividend policy shape the financial performance of economic institutions that are part of the S&P 500 index?**

The following sub-questions fall under this problem:

- Does the dividend per share rate impact the financial performance of economic institutions listed in the s&p 500 index?
- Does financial leverage affect the link between dividend policy and financial performance in S&P 500 firms?

### 1.2 Study hypotheses:

To answer the problem and the previous sub-questions, we formulated the following main hypothesis:

### **There is a statistically significant association between the dividend per share and the financial performance of firms listed in the S&P 500 index.**

### 1.3 Study objectives:

This research primarily seeks to investigate how dividend policy contributes to shaping the financial performance of firms within the S&P 500 index. In addition to the

main goal, there are secondary goals that we seek to achieve through this study:

- Provide the conceptual framework for dividends policy and financial performance.
- Knowing the profit dividend policy followed by the institutions under study, by determining the percentage of both retained earnings and distributed profits.
- This study seeks to test and evaluate how the dividend per share rate, as an indicator of dividend policy, it affects the financial performance of companies listed in the S&P 500 index..
- Provide recommendations to the economic institutions listed in the S&P500 index, o strengthen the role of dividend policy in continuously enhancing financial performance.

### **1.3 Study significance:**

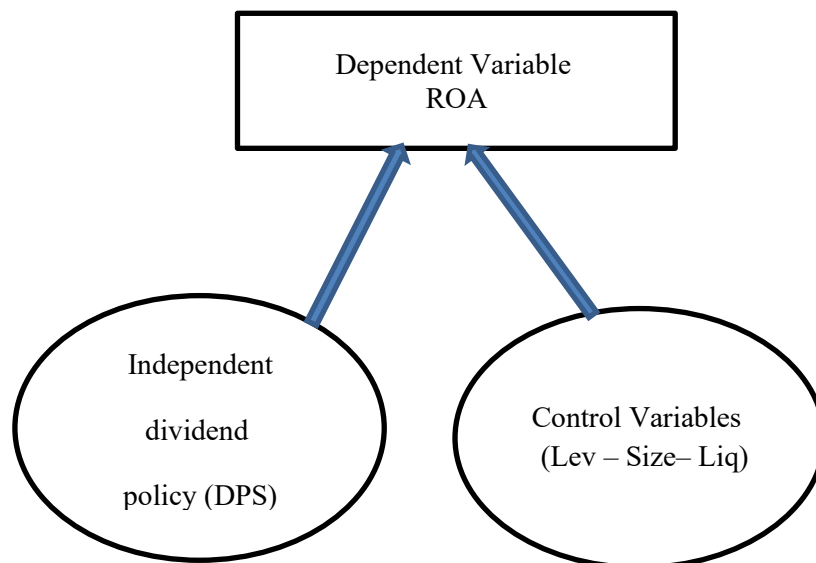
This study derives its relevance from the importance of the subject matter, given that dividend policy that the corporation practices in addition to the investment decision and the financing decision, and it has a major impact on financial performance, The significance of this study also lies in its attempt to examine and evaluate how the

dividend policy affects the financial performance of economic institutions that are part of the S&P 500 index, These institutions operate in an environment characterized by a strong economy, which is the American economy, The importance of the study also lies in the fact that it is considered a reference that can be relied upon when making any decision to invest in any of the institutions included in the S & P500 index, through knowing the policy that these institutions follow in distributing profits.

### **1.4 Study model:**

Based on previous studies that dealt with the impact of financing behavior on dividend policy, and after clarifying the most prominent results that it has reached, a study model has been developed, which includes two types of variables, specifically the study concentrates on dividend policy as the independent variable and financial performance as the dependent one, with dividend policy assessed using the dividend per share rate (DPS), While the financial performance was expressed in return on total assets (ROA). The model was also reinforced by three controlling variables: leverage (TDAC), volume (SIZE), and liquidity (LIQ).

**Figure (01): Study Model**



Source: Prepared by researchers

### 1.5 Study structure:

In order to test the study hypothesis, the research is divided into two main axes:

- The conceptual framework of study variables.
- An applied study on the economic institutions included in the S & P500 Index.

### 1.6 Statistical methods used in the analysis:

EViews10 software was employed in this study to analyze the data and test the hypotheses. Descriptive statistical methods, including descriptive statistics and the correlation matrix, were applied to identify the relationship between the study variables. In addition, several tests were conducted to ensure the reliability and robustness of the selected model from both statistical and econometric perspectives.

### 1.7 Previous studies:

#### 1.7.1 Study of (DOGAN & Yusuf TOPAL, 2014):

Study titled: *The Influence of Dividend Payments on Company Performance: The Case of Istanbul Stock Exchange (BIST)*<sup>1</sup>, the study examined the link between dividend policy and financial performance among companies listed on the Istanbul Stock Exchange (BIST), excluding those operating in the financial sector., over the period 2008–2011. A total of 172 firms were included and categorized into two groups: those that consistently distribute dividends and those that do not. The analysis employed multiple regression, t-tests, and descriptive statistics to examine whether there are significant differences in financial performance—both accounting-based and market-based—between the two groups. The findings indicate that dividend payments have an impact on firm performance. Specifically, a significant positive relationship was found between dividend per share (DPS) and the market-based performance metric Tobin's Q, while the relationship between DPS and accounting-based indicators such as ROA and ROE were statistically insignificant. These outcomes provide empirical support for the dividend relevance theory advanced by Gordon and Lintner.

### 1.7.2 Study of (Khan, et al., 2016):

Study titled: *Impact of Dividend Policy on Firm Performance: An Empirical Evidence from Pakistan Stock Exchange*<sup>2</sup>, the study focused on assessing the impact of dividend policy on the financial performance of companies in Pakistan during the 2010–2015 period. The findings revealed a positive relationship between dividend policy and return on total assets (ROA), suggesting that dividend decisions may enhance asset efficiency. However, the study also found a negative relationship between dividend policy and return on equity (ROE), indicating that higher dividend distributions might reduce equity-based profitability.

### 1.7.3 Study of (Kanwal & Shahid , 2017):

Study titled: *The Relationship between Dividend Payout and Firm Financial Performance*<sup>3</sup>, the study conducted on 20 Pakistani companies listed on the Karachi Stock Exchange between 2008 and 2012 explored the relationship between dividend distribution and financial performance. The results revealed a positive association between return on assets, dividend policy, and sales growth. However, the study also found that both the dividend payout ratio and financial leverage were significantly and negatively associated with return on equity.

### 1.7.4 Study of (Kolawole, MUKHTAR Salisu, & ONMONYA , 2018):

Study titled: *Effect of dividend policy on the performance of listed oil and gas firms in Nigeria*<sup>4</sup>, The relationship between dividend policy and firm performance was investigated in a study that analyzed a sample of nine listed oil and gas companies in Nigeria, covering the period from 2007 to 2016. The analysis demonstrated that both

dividend payout ratio and retained earnings exerted a positive influence on earnings per share (EPS), highlighting their role in enhancing firm profitability. Conversely, dividend yield showed a statistically significant but negative effect on EPS, suggesting a potential trade-off. Accordingly, the study suggests that companies seeking to enhance shareholder wealth and firm valuation should adopt a stable and gradually increasing dividend payout ratio, as it may indicate strong financial health.

### 1.7.5 Study of (Narang, 2018):

Study titled: *Dividend policy and firm performance: A study of listed firms on national stock exchange*<sup>5</sup>, A study was conducted to examine how dividend distributions affect the financial performance of firms listed on the Nigerian Stock Exchange (NSE). index over the period 2012–2017. A sample of 20 companies was analyzed using a fixed effects panel regression model. The findings indicated no statistically significant relationship between dividend variables specifically earnings per share and dividend payout ratio and the firms' financial performance, measured by return on assets (ROA) and return on equity (ROE). These results suggest that dividend policy may not directly influence the financial outcomes of the companies included in the NSE index.

## 2. Dividend Policy and Financial Performance Theoretical Framework

### 2.1 Dividend policy

The company may achieve profits through its economic activity at the end of each cycle, in which case the company either distributes profits to shareholders or uses it as an internal funding source to finance

expansion and contribute to growth.

### 2.1.1 Definition of dividend policy

Dividend policy is defined as the manner in which a corporation decides to manage its achieved profits, either by retaining them and then reinvesting them in the organization or distributing them to shareholders in the form of cash or in the form of shares <sup>6</sup>.

### 2.1.2 Motives for dividend distribution

The profits achieved by the corporation during a particular fiscal year are an indication of its ability and reputation, and it is a part of the self-financing that the institution will use in financing future investments, but it cannot withhold all profits because this affects its value and future, so it must in most cases distribute part of These profits for a several reasons, the most important of which are the following <sup>7</sup>:

- This distribution allows to motivate shareholders to keep their shares and not sell them, as well as to motivate them to underwrite when the corporation decides to increase the capital.
- When distributing profits, this procedure reflects the financial health of the institution, especially if it reconciles the balance between profit distribution and investment expansion simultaneously.
- The Corporation uses the profit distribution process to increase investor confidence in it.

It should also be noted that the Corporation cannot distribute profits in the following case <sup>8</sup>:

- In the event that the institution has

achieved significant losses during the previous years.

- If the institution is going through very difficult conditions in terms of profitability and exploitation during the current year.
- Withholding profits for the purpose of making significant exceptional investments.
- When the corporation achieves significant growth, leading to an increase in its turnover and capital needs, needs that must be financed with permanent resources, this could influence the institution's financial balance during the profit distribution process.

## 2.2 Financial performance

### 2.2.1 Definition of financial performance

Financial performance is a measure of how much a company is able to generate profit or revenue. It is particularly relevant in sectors like banking and other financial industries, where performance is commonly evaluated through financial statements. These statements include the balance sheet, income statement, cash flow statement, and the statement of changes in capital <sup>9</sup>. It is worth noting that financial performance can be measured in many different ways, depending on the objectives of the analysis and the nature of the company<sup>10</sup>.

### 2.2.2 The importance of financial performance

The importance of financial performance lies in its role in assessing the institution's performance from various aspects, in a manner that serves the interests of users of the institution's related data, through the information provided by the

financial performance in order to rationalize their financial decisions, in addition to that it enables the follow-up of the institution's work and its

conditions and levels of performance Comparison with available resources and goals.<sup>11</sup>

### **2.3 The Relationship Between Dividend Policy and Financial Performance:**

Several empirical and theoretical studies have extensively explored the complex relationship between dividend policy and financial performance, underscoring its pivotal role in corporate financial management. Dividend policy is not only a mechanism for rewarding shareholders, but also a strategic decision that sends informational signals to the market about the firm's profitability, future prospects, and risk profile. According to signaling theory, an increase in dividend payouts often indicates managerial confidence in the firm's sustainable earnings, thereby enhancing investor trust and market valuation.

Moreover, from the perspective of agency theory, dividend payments can help reduce agency conflicts between managers and shareholders by limiting the free cash flow available for potentially inefficient investments. At the same time, pecking order theory suggests that firms may prefer internal financing retained earnings over external sources, hence a high dividend payout may compromise the firm's ability to reinvest in profitable projects and maintain financial flexibility.

A well-balanced dividend policy is thus essential, as it may positively affect financial performance by enhancing Return on Assets

(ROA) and Return on Equity (ROE). However, excessive distributions can strain liquidity and limit growth, especially in capital-intensive industries. Therefore, the net impact of dividend policy on performance is often context-dependent, shaped by firm-specific factors such as size, leverage, profitability, and industry dynamics.

### **3. An econometric analysis of dividend policy's effect on the financial performance of firms in the S&P 500 index**

#### **3.1 Data collection sources.**

- The study relied on data sources that are: Books and scientific articles in order to clarify the theoretical side of the study variables.
- Annual financial statements of economic institutions published from 2010 to 2019.

#### **3.2 Study population and sample**

The study population consists of 500 economic institutions listed in the S & P500 index, and includes the leading companies on the American Stock Exchange during the period 2010-2019, and all these institutions must meet the following conditions to ensure that the study variables are measured:

- The institution must be present in the index from 2010 to 2019, which represents the period of study.
- The financial companies should not be a bank or insurance company.
- That the institution has not been merged or acquired.
- The adopted fiscal year should be from 1 / 1 / to 12/31.
- That the companies have the

necessary data during the study period to measure the study variables.

Accordingly, the study sample consisted of 168 institutions that meet all the conditions.

### 3.3 The adopted mathematical model

In order to examine the effect of dividend policy on the financial performance of economic institutions listed in the S&P 500 index, this study employs a multiple regression approach using panel data. The analysis is based on the following econometric model:

$$ROA_{it} = a_i + \beta_1 DPS_{it} + \beta_2 LEV_{it} + \beta_3 SIZE_{it} + \beta_4 LIQ_{it} + \varepsilon_{it} \dots (1)$$

Where:

- $i = 1.2.3.4.5.6 \dots 168$ : It is the group of economic institutions that form the study sample.
- $T = 1.2. 3..10$ : It is the period of study extending from 2010 to 2018.
- $\beta_3 \cdot \beta_4 \cdot \beta_1 \cdot \beta_2$ : Regression coefficients for the independent variables.
- $a_i$ : A constant and represents the value of the dependent variable when

the value of all the independent variables is 0.

- $ROA_{it}$ : The dependent variable represents return on assets for enterprise  $i$  in period  $t$ .
- $DPS_{it}$ : Independent variable representing the percentage of dividends per share for enterprise  $i$  in period  $t$ .
- $LEV_{it}$ : A controlling variable representing the financial leverage of firm  $i$  in period  $t$ .
- $SIZE_{it}$ : A controlling variable representing the size of institution  $i$  in period  $t$ .
- $LIQ_{it}$ : A controlling variable representing the liquidity of enterprise  $i$  in period  $t$ .

In order to determine the most appropriate variables for the econometric study, several relevant studies addressing the relationship between dividend policy and financial performance were consulted. The following table summarizes the variables used in this study along with their corresponding measurement methods.

**Table No. (01):** Study variables and their measurement method

Variable	Symbol	Calculation method
Return on Assets	<i>ROA</i>	Net Income/Total Assets
Dividend Per Share	<i>DPS</i>	Distributed Dividend/Number of Shares
Financial leverage	<i>LEV</i>	Total debt/total assets
Company' size	<i>SIZE</i>	Natural logarithm of total assets
Current liquidity ratio	<i>LIQ</i>	Current Assets/Current debt

Source: Prepared by researchers

### 3.4 Descriptive statistics:

The study applied to a sample consisting of 168 economic institutions

during the period from 2010 to 2019, and accordingly the number of observations is 1680, and Table No. (02) presents the descriptive statistics of the study variables.

**Table No. (02):** Descriptive statistics of the study variables

	<i>ROA</i>	<i>DPS</i>	<i>LEV</i>	<i>SIZE</i>	<i>LIQ</i>
<i>Mean</i>	0,0606	1,4678	0,6588	5,2967	2,5237
<i>Median</i>	0,0611	0,9600	0,6587	4,7329	1,3269
<i>Min</i>	-8,1104	0,0000	0,0887	3,2920	0,0779
<i>Max</i>	0,3733	68,5400	3,5583	7,8275	1420,03
<i>Std. Dev.</i>	0.2247	3,1618	0.2657	1.2177	34,6395
<i>N</i>	1680	1680	1680	1680	1680

**Source:** Prepared by researchers based on Eviews 10 results

We notice through Table (2) that the average return on assets (ROA) was 0.06, with a standard deviation estimated at 0.22. The table also shows the arithmetic mean of the independent variable (DPS), where it reached 1.46 and with a standard deviation equal to 3.16, which is high, which indicates that There is a variation in the amount of profits distributed to shareholders by the institutions under study. Also, the arithmetic averages of the control variables represented

in leverage, size, and liquidity were: 0.65, 5.29, 2.52.63, respectively, and with different standard deviations.

### 3.5 Correlation Matrix

A correlation matrix was prepared between study variables, in order to ensure that there is no problem of the multi collinearity problem between the study variables.

**Table No. (03):** The correlation matrix between the study variables

<b>Correlation</b>	<b>ROA</b>	<b>DPS</b>	<b>LEV</b>	<b>SIZE</b>	<b>LIQ</b>	<b>VIF</b>
<b>ROA</b>	1					
<b>DPS</b>	0.0227	1				1.011
<b>LEV</b>	-0.1184	-0.0483	1			1.010
<b>SIZE</b>	-0.0239	-0.0956	-0.0891	1		1.019
<b>LIQ</b>	-0.0002	-0.0134	-0.0078	0.0319	1	1.001

**Source:** Prepared by researchers based on Eviews 10 results

The correlation matrix contributes to revealing whether or not the multi collinearity problem exists between the explanatory variables (independent and control variables), According to the literature, correlation coefficients exceeding 0.8 may suggest the presence of multicollinearity. However, in our study—as shown in Table (03)—the highest observed correlation coefficient is 0.11, which rules out any multicollinearity concerns among the

explanatory variables. This result is further supported by the VIF test, where all variance inflation factor values are below the critical threshold of 10, confirming the absence of multicollinearity in the model.

### 3.6 Choosing the appropriate form for the study

the appropriate model for the study is chosen through the comparison between the three main models of the Panel data

regression, and this will be done through three main tests:

- Fisher's constrained test for choosing between a pooling regression model and the fixed effects model.
- Breusch - Pagan (LM) test for comparing between the pooled model and the random effects model

(Breusch and Pagan, 1980), for some technical issues (Baltagi, 2013), we use the test proposed by Gourieroux, Holly and Monfort (1982).

- Hausman's test of the comparison between the fixed effects model and the random effects model (Hausman, 1978).

**Table No. (04): Fixed Effects Model**

	Fixed Effects Model		
	OLS		
	<i>Pooled</i>	<i>FE</i>	<i>RE</i>
<b>DPS</b>	0.0020*** (0.0000)	0,0016*** (0,0000)	0,0017 (0,3996)
<b>LEV</b>	-0.0951*** (0.0000)	-0,1486*** (0,0000)	-0,1611*** (0,0000)
<b>SIZE</b>	-0.0043*** (0.0000)	-0,0030*** (0,0046)	-0,0066 (0,2993)
<b>LIQ</b>	-7.76E-06 (0.7912)	-2,36E-05 (0,3895)	-5,86E-06 (0,9683)
<b>Conct</b>	0.1409*** (0.0000)	0,1723*** (0,0000)	0,1993*** (0,0000)
<b>F</b>	119.419***	53,8074***	10,3144***
<b>R<sup>2</sup></b>	0.2219	0,8519	0,0240
<b>Obs.</b>	1680	1680	1680
<b>F – Test</b>		3.2526***	
<b>LM (GHM)</b>		(227.068***)	
<b>Hausman</b>		15.9071***	

**Source:** Prepared by researchers based on Eviews 10 results

The results obtained in the above table and according to the comparison tests between the three panels indicated that the fixed effects model is the most appropriate for the study.

#### 4. Analyze the results of the multiple regression model using the fixed effects model

##### 4.1 Test the model from a statistical point of view

##### 4.1.1 The significance of the estimated parameters test

To examine the effect of the independent variable dividend policy (DPS) as well as the control variables including financial leverage, firm size, and liquidity on the financial performance of the companies under study, it is necessary to test the statistical significance of these variables within the model. Based on Table (07), the

dividend policy, represented by the dividend per share, is statistically significant at the 1% level, indicating its influence on the return on assets (ROA) of the institutions under study. Similarly, the control variables financial leverage and firm size also show significance at the 1% level, suggesting their impact on financial performance. However, liquidity was found to be statistically insignificant, implying no notable effect on financial performance.

#### 4.2 Test the overall significance of the model

Null hypothesis: No first-order autocorrelation ( $\rho = -0.5$ )  
Test statistic:  $F(1, 167) = 153$   
with  $p\text{-value} = P(F(1, 167) > 153) = 0.0000$

In order to test the overall significance of the model, we use the coefficient of determination  $R^2$  and Fisher's test, and through Table (4) we note that: The determination coefficient  $R^2$  has a value of 0.8519, which is a large value, indicating a strong correlation between the dependent variable and the explanatory variables, as it can be said that 85.19% of the changes that occur in the rate of return on assets for economic institutions included in the S & P500 index during the period 2010-2019 It is explained by the explanatory variables that were included in the study model, and the remaining percentage (14.81%) is explained by other variables that were not included in the model

We note through the fixed effects model that the calculated statistical value of Fisher is estimated at 53.8074, which is greater than the tabular value of 2.22, and that Prob (F-statistic) is equal to 0.0000 which is less than 0.05, thus we reject  $H_0$  and accept the alternative hypothesis, meaning that the

model has overall significance.

#### 4.3 Test the model from the econometric point of view:

Distribution free Wald test for heteroskedasticity:  
Chi-square (168) = 7.12219e+009, with  $p\text{-value} = 0$

After confirming the quality and validity of the model from the statistical point of view, we must test it from the standard point of view.

##### 4.3.1 Autocorrelation Test:

There are many tests to perform the self-test for errors, and we will rely in our study on the Wooldridge Test based on EViews 10

Note that  $\text{Prob} > F = 0.0000$  and thus reject the null hypothesis and accept the alternative hypothesis which states the existence of autocorrelation in error term.

##### 4.3.2 Heteroskedasticity Test:

The Wald test is used to ascertain whether or not the variance is consistent for errors. This test is based on the following two assumptions:

- $H_0$ : constancy of variance in errors.
- $H_1$ : Errors variance instability.

We notice that the  $p\text{-value}$  is less than the level of significance 5%, and therefore the null hypothesis is rejected and the alternative hypothesis accepted, i.e. there is an inconsistency of the error variances of the sectional units in the fixed effects model.

Through the standard test of the fixed effects model, we found that it suffers from the problem of autocorrelation and the

problem of inconsistency of variance, and to correct these problems we resort to the Corrected Standard Errors (PCSE) method proposed by Beck and Katz in 1995. The

results of the corrected fixed effects model can be displayed. By using this method as shown in the following table:

**Table No. (05):** Corrected Fixed Effects Model

Fixed Effect			
	Coefficient	Std. Error	P-Value
<b>C</b>	0.1723	0.0058	0.0000***
<b>DPA</b>	0.0016	0.0004	0.0001***
<b>LEV</b>	-0.1486	0.0085	0.0000***
<b>SIZE</b>	-0.003	0.0008	0.0005***
<b>LIQ</b>	-2.36E-05	3.10E-05	0.4463
R-Squared = 0,8519			
F-statistic= 53,8074			
Prob(F-Statistic)=( 0.0000)			

**Source:** Prepared by researchers based on Eviews 10 results

#### 4.4 Discussing the results of the study

By analyzing the results of multiple linear regression and depending on EViews 10, we reached a set of results that can be analyzed and discussed as follows:

– The existence of a positive and statistically significant effect of the dividend per share (DPS) on the return on assets (ROA) of the economic companies included in the S & P500 index even though this effect is low, as an increase in dividends per share by one unit leads directly to an increase of The rate ROA by 0.0016 units, and this can be explained by the fact that the economic institution always seeks to maximize its profitability and at the same time it is working hard to preserve its shareholders, by distributing high profits to shareholders, because these always prefer a higher dividend policy. Because they believe that it is a sign of the annual profits achieved by the corporation, which may make these shareholders invest those profits distributed to them in the corporation, which contributes to the establishment of new projects that

work to achieve high rates of profits for the corporation. The corporation also seeks to bring in new investors, but these also view the profit distribution policy that the corporation follows as a signal and a source of information about the financial position of the corporation and its efficiency in utilizing the resources available to it, and the profit distribution policy is considered an indicator of the corporation's success and superiority Its theories on the market The increase in the value of dividends per share from one year to the next is considered a positive sign of the effective performance of the corporation, which leads to an increase in the share price of the corporation and thus achieving high financial performance rates. Accordingly, the main hypothesis of the studies that states that there is a positive and statistically significant effect of the dividend policy on the financial performance of the institutions under study is accepted

– Financial leverage affects the financial performance of the institutions under study, as an increase in the debt ratio by one unit

leads to a decrease in the rate of return on assets by 0.1486 units, although debt has the advantage of tax savings, but it causes an increase in interest burdens and financial risks as risks. The cost of bankruptcy resulting from the institution's inability to pay its obligations on their due dates, which ultimately reduces the returns on shares and the value of shareholders. When debts are high in the financing structure of the institution, the financial manager must take into account the policy of dividend distribution (reducing dividends) to save the institution from bankruptcy risks, Thus, taking advantage of investment opportunities in the future is less. Creating and maximizing shareholder value requires high financial resources, thoughtful investments and entering new financial markets, however financial leverage may hinder the effectiveness of these mechanisms, leading to a decline in institutional profitability.

– The study findings also indicated that firm size, as a control variable, had a negative and statistically significant influence on the return on assets (ROA) of the institutions included in the sample. and this differs with the idea that large institutions have the ability to obtain financing easily and distribute high profits to shareholders better than small institutions.

– There is no effect of liquidity on the financial performance of the economic institutions included in the S & P500 index during the period from 2010 to 2019-, and this result can be explained by the fact that the institutions under study manage current (short-term) assets in a way that only serves them in the payment of their short-term liabilities on their terms. It is not interested in making investments that allow creating wealth for its shareholders and maximizing the profitability of the institution.

## 5. Conclusion

The topic of creating value for shareholders and improving their financial performance gained the concerns of institutions of different types and sizes, so every institution is obligated to make a specific financial decision that contributes to maximizing its values, and this study came to try to know and test the impact of the dividend policy on the financial performance of a sample of economic institutions included in the S & P500 index During the period 2010-2019, the study used panel data by applying the fixed effects model. The study reached a set of results, the most important of which are:

– the dividend per share (DPS) has a positive and statistically significant influence on the return on assets (ROA) of economic institutions listed in the S&P 500 index.

– Financial leverage shows a negative effect on the financial performance of the institutions analyzed in the study.

– The findings also indicate a negative relationship between firm size, as a control variable, and the return on assets (ROA) of the sampled institutions.

– Liquidity does not appear to have a significant impact on the financial performance of economic institutions listed in the S&P 500 index during the 2010–2019 period.

### 5.1 Recommendations

Based on the results obtained, this study recommends the following:

– S & P500 indexed institutions that want to increase their profitability and maximize their value must follow a balanced dividend policy, as this is considered as an indication that the institution has future investment

prospects and enjoys good financial health, which will positively affect its performance.

– The board of directors in the companies under study should act prudently when announcing dividend distributions, as a high payout ratio may suggest that the stock is undervalued, which could negatively influence the firms' future earnings.

– Given the influence of financial leverage on the performance of the studied companies, it is important for them to adopt a policy that

promotes efficient debt utilization and maintains an optimal borrowing level.

– It is necessary for the companies under study to conduct studies to ascertain the various factors that affect the dividend policy.

– Managers of economic institutions under study must formulate policies that ensure the institution's efficiency in exploiting its assets to achieve profitability.

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