



ON THE DETERMINANTS OF PAYOUT POLICY: EVIDENCE FROM ALGERIAN PRIVATE FIRMS

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ABSTRACT

This paper investigates the main determinants of the payout policy of Algerian firms. The study targets 70 Algerian large private firms and covers the period 2010-2020. We perform a static panel data. Using traditional methods of panel data, Hausman's test indicates that the random effect is more appropriate. However, the regression unveils heteroskedasticity issues. To address this issue, we use the PCSE method (Panel-Corrected Standard Errors). The results show the positive impact of profitability, liquidity, and tangibility of assets to the dividend ratio in Algeria. However, the size variable negatively affects the payout ratio.

Keywords: Payout policy, large private firms, Panel data analysis, Algeria.

JEL Classification : G35, L25, C33, O55

RÉSUMÉ

Ce document examine les principaux déterminants de la politique de distribution des entreprises algériennes. L'étude cible 70 grandes entreprises privées algériennes et couvre la période 2010-2020. Nous effectuons une analyse de données de panel statique. En utilisant les méthodes traditionnelles des données de panel, le test de Hausman indique que l'effet aléatoire est plus approprié. Cependant, la régression révèle des problèmes d'hétéroscédasticité. Pour résoudre ce problème, nous utilisons la méthode PCSE (Erreurs Standards Corrigées pour le Panel). Les résultats montrent l'impact positif de la rentabilité, la liquidité et la tangibilité des actifs sur le ratio de distribution des dividendes en Algérie. En revanche, la variable de taille affecte négativement le ratio de distribution.

Mots clés : Politique de dividende, grandes entreprises privées, analyse des données de panel, Algérie

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INTRODUCTION

The topic of dividend policy sparks significant debate and is widely discussed in corporate finance literature. Theories are devised and controversial despite the empirical studies: from Lintner's model and The Miller and Modigliani irrelevance theory in relation to current advancements in dividend research. Analyzing dividend behavior leads to a puzzle and confusion (Black, 1976). Hence, dividends are one of the top ten (10) important unresolved problems not fully covered.

This paper is committed to identifying firm factors influencing the dividend payout in large Algerian firms. Analyzing Algerian payout policy during the period 2010-2020 presents progress to empirical studies. It brings relevant elements in terms of policy recommendations. First, in Algerian regulation, taxes are applied on dividend payments and capital gains, thus, shareholders pay what they receive. Second, family members lead the management of a large number of companies. Finally, in 2007, the Algerian accounting system made a transition from the national accounting chart (PCN) to the financial accounting system (SCF) applying international standards IAS/IFRS in 2010. This paper is structured in four sections. The sections present a literature review, data and empirical methodology, empirical results, and conclusion.

1. LITTERATURE REVIEW AND EMPIRICAL EVIDENCE

Many studies devoted to payout policy show that paying dividends relies on different theories and parameters. Earnings are the major source of payment since reserves usually serve to deal with potential difficulties a company may face covering liquidity shortages. Lintner's model was the pioneering work in dividend theories. He assumed that earnings serve as the primary determinant of dividend policy. In his model, Lintner introduced the concept of smoothing dividends to match fluctuations in a firm's earnings using time series data (Lintner, 1956). The extension of his model was conducted over 20-year period, confirming the validity of the findings (Fama & Babiak, 1968). Furthermore, another analysis discovered that the relationship between current earnings and future earnings is more robust among dividend-paying firms compared to non-payers. Hence, profitability is one of the most commonly researched determinants of dividend policy (Skinner & Soltes, 2011).

An empirical study showed a positive relationship between dividends per share and profitability. The study targeted a sample of 120 firms listed on the PSX from 2000 to 2011 (Gul, Khan, Ahmad, Rehman, & Shah, 2012). Additionally, the examination of the characteristics of dividend-paying firms led to the conclusion that larger and more profitable firms exhibit a greater determination to pay dividends (Fama & French, 2001). Building on this study, another research extended the analysis. The findings showed that a high and increasing concentration in dividend supply corresponds to elevated earnings concentration. Profitability level significantly influences dividend payouts (DeAngelo, DeAngelo, & Skinner, 2004). In alignment with these findings, another research supported the notion that firm earnings are key determinants of dividend policy (Denis & Osobov, 2008). Moreover, as well as earnings, the firm's size plays an important role in payout policy. The positive association between payout ratios and firm size further bolsters the relationship between firm characteristics and dividend payouts (Skinner & Soltes, 2011). Another concern in studying dividend policy is to examine whether dividend changes could be considered a signal of firm maturity. Dividend increases were associated with subsequent declines in profitability, which contrasts with traditional signaling theories. Hence, dividend changes might not necessarily signal firm maturity as conventionally thought (Grullon, Michaely, & Swaminathan, 2002).

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Another indicator associated with dividend policy is liquidity. An investigation of the relationship between cash holdings (a measure of liquidity) and dividend policy unveiled that firms with higher cash reserves are more likely to pay dividends with higher amounts. Using a large sample of U S firms, the evidence showed that the relationship between cash holdings and dividends varies depending on other factors (Almeida & Campello, 2007).

Another empirical study investigated how liquidity influences dividend policy during a financial crisis. Using data from U S banks, the findings endorsed that banks with stronger liquidity positions are more likely to maintain or increase their dividend payments during periods of financial distress, suggesting that liquidity influences dividend decisions, particularly during times of economic uncertainty (Liu & Mauer, 2011). In free cash flow theory, debt deals with the agency problem related to free cash flow. Leverage reduces managers' discretion to cash. In this context, debts and dividends act as substitutes. Managers align with shareholders' interests (Jensen M. , 1986). Additionally, financial risk is related to debt ratio. The study of U S corporations, in 1992, showed the reverse correlation between leverage and dividend pavement (Moradi, Salehi, & Honarmand, 2010).

Similarly, firms with higher levels of leverage tend to opt for lower dividend payments due to increased costs of external financing and heightened risk of default (Mancinelli & Özkan, 2006). In India, a study analyzed the factors influencing dividends among 239 firms listed on the National Stock Exchange (NSE). The findings show that more leveraged firms tend to pay lower dividends (Labhane, 2015). Another study explored the factors influencing the payout policies of 48 firms listed on the Tunisian Stock Exchange. Analyzing data from 1996 to 2002, the findings indicated that profitable firms tend to distribute higher dividends. However, dividends evolve conversely to the liquidity and the firm size. When the liquidity and size are high, dividends keep low levels. Finally, ownership concentration and financial leverage impacts on dividends are not significant. These results hold across different specifications and provide insights into the dynamics of dividend policy in the Tunisian context (BenNaceur, Goaied, & Belanes, 2006).

In Nigeria, a study investigated the factors influencing dividend decisions among firms listed on the Nigerian Stock Exchange (NSE), focusing specifically on non-financial companies. The study measured dividend policy using variables such as dividend intensity and the dividend payout ratio as dependent variables. Moreover, the findings endorse that profitability defined with by return on assets, growth opportunities, and liquidity presented with liquidity ratio, are positively correlated to dividend. On the contrary, leverage, size, and asset tangibility impacts negatively payout ratio (Alaeto, 2020). To have a sharp view of the Algerian context, a study examined the dividend distribution practices of Algerian private banks from 2011 to 2017. Applying panel data regression to a sample of eleven Algerian private banks, the findings highlight that profitability; prior dividends, equity levels, debt, liquidity, and bank growth positively influence dividend payouts. Conversely, dividend adjustments show a negative response to risk (Allal & Benilles, 2020). In a recent research, a study dedicated to analyzing the impact of the COVID-19 pandemic on dividend policy. The study included 8889 firms listed in the G-12 countries. It revealed that despite the health crisis, firms continued to increase their dividend payments. Key determinants during the pandemic included firm profitability, earnings outlook, size, and leverage (Ali, 2022).

2. DATA AND EMPIRICAL METHODOLOGY

2.1- HYPOTHESIS AND DESCRIPTION OF VARIABLE

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Dividend policy relies on many factors. This study investigates the determinants of payout policy in Algeria. However, we do not include outside effects such as regulations and general economic conditions. The list of dependent and independent variables is given in Table 1. To indicate dividend policy two measures are commonly used in empirical evidence. Firstly, the dividend payout ratio quantifies the annual dividend relative to net earnings. Secondly, the dividend yield is calculated as the annual dividend per share divided by the market price per share. In our study, we utilize the dividend payout ratio due to the lack of information on the number of shares for each company (Labhane, 2015). Moreover, table 1 depicts the predicted sign of the effects of each dependent variable on the payout ratio. First, profitability is presented with the ratio return on assets (ROA). Furthermore, Table 1 illustrates the anticipated direction of each independent variable's impact on the payout ratio. Initially, profitability is measured by the return on assets (ROA) ratio. (Brown & Laverick, 1994).

Table 1: Definition of variables

Factors	Variables	Description	Variable abbreviation	Predicted sign
Dividend decision	Dividend Payout Ratio	Dividend Payout Ratio/Net earnings	DIV	DV
Profitability	Earnings to Assets	Net earnings/Assets	ROA	+
Liquidity	Cash to Assets	Cash/Total Assets	LIQ	+
Leverage	Long Term Debt	Long Term Debt/Total Assets	DLMT	-
	Short Term Debt	Short Term Debt/Total Assets	DCT	-
Size	Turnover	the Natural log of Turnover	SIZE	-
Tangibility of Assets	Tangibility of Assets	Tangible Assets/ Total Assets	TA	+

Source: formulated using STATA14 software (STATA14, 2015)

Earnings are the key determinant in dividend policy. When earnings prosper and increase, firms tend to pay more dividends. However, loss leads to reduced dividend amounts (Kirkulak & Kurt, 2010). In our study, we apply net return after taxes to total assets.

H1: We expect that profitability affects positively dividend payments in large Algerian private firms.

The second variable is liquidity, presented with the ratio of cash to total assets. In a theoretical model, it is suggested that managers who prioritize shareholder interests will elevate dividend payouts in response to high liquidity. Firms with greater liquidity are expected to pay out more dividends (Gonzalez & Zamudio,

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2007). We investigate whether this relationship holds for companies in these contexts. Many studies applied the current ratio to measure liquidity. In our study, we choose the ratio of cash to total assets.

H2: We expect a positive relationship between the liquidity and dividend payout.

According to existing literature, leverage plays a significant role in shaping dividend policy. When firms need funding, they retain more earnings or issue debt. Financial leverage increases transaction costs. If the leverage is high firms pay low dividends and retain earnings (Jensen, Donald, & Zorn, 1992). A study of 390 firms, endorsed that financially constrained firms are less likely to pay dividends and have lower dividend payouts. Leverage is one of the factors influencing financial constraints, as firms with higher levels of debt may face restrictions on dividend payments due to liquidity concerns and debt covenants (Ozkan, 2001).

H3: We expect that the degree of leverage will be negatively associated with dividend distribution in non-financial Algerian firms.

Analyzing the impact of firm size on dividends led to mixed findings. The first group claimed to find a negative or insignificant relationship between the firm's size on dividends. Larger firms have easy access to external capital markets. They can secure borrowing under more favorable terms. Additionally, conflicts between creditors and shareholders tend to be more pronounced for smaller firms compared to larger ones. Furthermore, larger firms often exhibit greater diversification, resulting in more stable and less volatile cash flows (Rajan & Zingales, 1995). On the other hand, another analysis found a positive correlation between firm size and dividend payout policy. Larger firms tend to pay higher dividends compared to smaller firms. Regarding stable cash flows and profitability, larger firms are likely to distribute earnings. (Fama & French, 2001).

H4: We anticipate that the size of Algerian firms will have a negative impact on dividend payments.

On the relationship between tangibility of assets and dividend policy, it is generally expected that tangibility is associated with dividend distribution. Most tangible firms benefit from tax advantages without relying on debt, and therefore they prefer to use dividend policy to address information asymmetry and agency costs (Koch & Shénoy, 1999). The more tangible the firm, the fewer liquid assets it has to guarantee its short-term debts. Consequently, companies will rely more on their retained earnings and the likelihood of paying dividends is low (Al-Najjar & Hussainey, 2009).

H5: We expect that companies with high tangible assets pay dividends.

2.2- DATA AND DESCRIPTIVE STATISTICS

To identify the explanatory variables of the dividend policy of large private Algerian companies, we selected a sample of companies whose assets exceed 1 billion DA, with financial statements available over a period of 11 years (2010 to 2020), as well as information related to decisions made by general assembly regarding profit distribution. To gather the necessary data for modeling, we approached the Directorate of Large Enterprises (DGE), responsible for the fiscal monitoring of large Algerian private firms. We were able to collect data from 70 private companies across various sectors. The DIV falls within the interval [-1.50; 2.69]. A negative DIV indicates that the company distributed dividends despite having a negative net income. A DIV could be greater than 1 since the distribution of dividend amounts exceeds the net profit for the period. The standard deviation of DIV is 0.38, suggesting that there is relatively low volatility in dividend distribution among the

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sample companies. In the same vein, the standard deviations of ROA, LIQ, LEV, DLMT, DCT, and TA are less than 0,32. However, the variability or dispersion of the size variable is 1.15.

Table 2: Descriptive statistics

<i>Variable</i>	<i>Obs</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>
<i>DIV</i>	770	0.2172106	0.3841173	-1.49645	2.693319
<i>ROA</i>	770	0.038929	0.0800053	-0.4799739	0.4770314
<i>LIQ</i>	770	0.0840524	0.0918822	0	0.6539664
<i>DLMT</i>	770	0.1531482	0.1685299	0	1.137008
<i>DCT</i>	770	0.4342139	0.3201845	0.0070539	3.423878
<i>SIZE</i>	770	21.66296	1.152136	17.89	25.85
<i>TA</i>	770	0.3898999	0.2496354	0	0.9993023

Source: formulated using STATA14 software (STATA14, 2015)

Table 3 displays the correlation coefficients among the model variables. The presence of low correlation values suggests that collinearity is not a significant issue. The sign of the coefficient reveals the direction of the relationship between variables.

Table 3: Correlation variable matrix

	DIV	ROA	LIQ	SIZE	DLMT	DCT	TA
DIV	1						
ROA	0.2718	1					
LIQ	0.2659	0.3682	1				
SIZE	-0.1421	0.0690	-0.1031	1			
DLMT	-0.0855	-0.2748	-0.2510	0.0337	1		
DCT	-0.1208	-0.5134	-0.1089	0.0275	-0.1902	1	
TA	0.0056	-0.1504	-0.1983	-0.1064	0.3337	-0.1928	1

Source: formulated using STATA14 software (STATA14, 2015)

Otherwise, it's a reverse correlation. From the table above, we notice a positive correlation of more than 25% between the dividend distribution rate, profitability and liquidity (a company with high profitability should distribute more dividends, and similarly, higher liquidity leads to more dividend distribution). A weak and

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negative correlation between the dividend distribution rate and indebtedness. Thus, the more indebted a company is, the less it distributes dividends. Similarly, the correlation between the dividend distribution rate and size is negative and weak. Furthermore, a positive relationship of more than 25% between the profitability, and liquidity of the company (company profits contribute to their liquidity).

We reviewed financial statements and some non-accounting data (decisions made by general the assembly regarding profit distribution, and sectors of activity...). The period of study covers 11 years. From 2010-2020, the period is long enough for the regression of the variables (Rozeff, 1982). Table 2 outlines descriptive statistics of different variables. We note that the panel is balanced, with an equal number of observations for each variable.

2.3 ECONOMETRIC MODELING:

This study is mainly quantitative research based on panel data regression to examine the determinants of payout policy in Algerian firms. The use of panel data is useful with several advantages in combining cross-sectional and longitudinal dimensions (Baltagi B. , 2013). First, it provides more information when analyzing dividend policy since the time-series dimension brings more visibility of variability and unobserved effects that are not detectable in a cross-sectional model. Using panel data allows increasing the sample size and degrees of freedom. We can reduce the impact of multicollinearity.(Wooldridge, 2010). To determine the impact of the above independent variables on the dividend payout ratio, we apply a linear regression of panel data. Panel data combine the two dimensions of group and time effects. These effects are either fixed or random effects.

In our model, the equation below defines the variables:

$$DIV_{i,t} = aROA_{i,t} + bLIQ_{i,t} + cSIZE_{i,t} + dTA_{i,t} + eDLMT_{i,t} + fDCT_{i,t} + \varepsilon_{i,t} \quad (1)$$

The distinction between these effects hinges on underlying assumptions. Fixed effects address endogeneity issues with regressors, whereas random effects rely on the assumption of regressor exogeneity. In practice, this assumption rules out any correlation between explanatory variables and disturbance. The main issue exposed to running the model is how to choose between the two effects (Baltagi, Bresson, & Pirotte, 2003).

The fixed effect model is presented as:

$$y_{it} = (\alpha + u_i) + X'_{it}\beta + v_{it}, \quad (2)$$

Where, $\varepsilon_{i,t} = u_i + v_{it}$,

The fixed group effect model examines individual differences in intercepts, where individual specific effect (u_i) is a cross-sectional unit and time-invariant, also considered the correlation between intercept and other regressors.

There are several methods for estimating a fixed model such as “within” estimation. It applies deviations from group means by using variation within each individual (equation 3):

$$(y_{it} - \bar{y}_{i\bullet}) = (x_{it} - \bar{x}_{i\bullet})'\beta + (\varepsilon_{it} - \bar{\varepsilon}_{i\bullet}) \quad (3)$$

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Random effect deals with the loss of the degrees of freedom in fixed effects. A random effect assumes no correlation with any regressors. The error component u_i is independent of the traditional error term v_{it} and regressors X_{it} , $u_i \sim IID(0, \sigma^2_u)$, and $v_{it} \sim IID(0, \sigma^2_v)$. (Baltagi, 2005).

The model is presented:

$$y_{it} = \alpha + X'_{it} \beta + u_i + v_{it}, \quad (4)$$

The estimation of the model is conducted by a feasible generalized least squares method. FGLS leads to estimate θ using $\hat{\sigma}^2_u$ and $\hat{\sigma}^2_v$.

$$\theta = 1 - \frac{\hat{\sigma}^2_v}{T\hat{\sigma}^2_u + \hat{\sigma}^2_v} = 1 - \frac{\hat{\sigma}^2_v}{T\hat{\sigma}^2_{\text{between}}} \quad (5)$$

$$\hat{\sigma}^2_u = \hat{\sigma}^2_{\text{between}} - \frac{\hat{\sigma}^2_v}{T}, \text{ where } \hat{\sigma}^2_{\text{between}} = \frac{SSE_{\text{between}}}{n-k-1}.$$

$$\hat{\sigma}^2_v = \frac{SSE_{\text{within}}}{nT-n-k} = \frac{e'e_{\text{within}}}{nT-n-k} = \frac{\sum_{1 \leq i \leq T} (v_{it} - \bar{v}_i)^2}{\sum_{1 \leq j < n} nT-n-k},$$

Thus, equation 6 presents the application of an OLS after transforming y , x , and intercept:

$$y^*_{it} = \alpha^* + x^*_{it} \beta^* + \varepsilon^*_{it} \quad (6)$$

3. EMPIRICAL RESULTS

Table N 4 depicts the results of different tests. The calculated Fisher statistic follows under the assumption H_0 a Fisher distribution. We reject the null hypothesis when the calculated statistic exceeds the critical value from the table. Based on this test, we find that the probability associated with the calculated Fisher statistic is less than 5%. Therefore, the null hypothesis is rejected. The model with individual effects (fixed or random) is more appropriate for our model. The probability of the Hausman test is greater than 5%; therefore, we observe the presence of random effects for the DIV regression model. To verify the presence of a random effect, we conduct the Breusch-Pagan test.

The Chi-square probability of this test tends towards 0, which means that the null hypothesis (H_0) is rejected, indicating the presence of random effects. The multicollinearity test serves to verify if regressors are independent of each other. The Variance Inflation Factor (VIF) test is the appropriate indicator since a VIF of less than 10 indicates the absence of multicollinearity. To assess the residual correlation, we employ the Wooldridge test. The test results in Table 4 indicate a probability of 0.0963, with a p-value exceeding 5%. Therefore, we accept the null hypothesis, suggesting no autocorrelation.

Table 4: Test de validity

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Tests of Validity

<i>F-Test</i>	F(69, 694) = 6.03
<i>(p-value)</i>	(0.0000)
<i>Hausman's test</i>	chi2(6)=9.43
<i>(p-value)</i>	(0.1510)
<i>Breusch-Pagan LM test</i>	chibar2(01) = 338.33
<i>(p-value)</i>	(0.0000)
<i>Test de Wooldridge of autocorrelation</i>	F(1, 69) = 2.843
<i>(p-value)</i>	(0.0963)
<i>Test of heteroscedasticity</i>	chi2(1) = 50.18
	(0.0000)

Source: formulated using STATA14 software(STATA14, 2015)

For the heteroskedasticity test, this test is performed in multiple steps using STATA software. It serves to test whether the model suffers from heteroskedasticity issues or not. If the probability (p-value) is greater than 5%, we accept H₀, indicating the absence of heteroskedasticity issues. It is observed that the p-value = 0, which is less than 5%, thus we reject H₀ and confirm the presence of heteroskedasticity issues. To address this issue, we use the PCSE method (Panel-Corrected Standard Errors), which takes into account the presence of heteroskedasticity and allows for model correction.

According to the results obtained from the heteroskedasticity correction, the estimation of the DIV model has improved, as we have obtained four significant variables with a tolerance less than 5%. These variables are profitability, liquidity, tangibility of assets with positive coefficients, and size with a negative coefficient. Therefore, for our study, we retain the estimated model after heteroskedasticity correction presented in Table 6 and the model becomes:

$$DIV = 1.237051 ROA + 0.760777 LIQ - 0.0453426 SIZE + 0.1053046 TA + 0.0518325 DLMT + 0.063031 DCT + 1.010998$$

For our sample of 70 companies during the period 2010-2020, totaling 770 observations, we obtained satisfactory results after regression. The significance of the model is 12,98% ($R^2 = 0.1298$). The overall significance test is significant with a probability (p-value) approaching 0.

Next, we will discuss the interpretation of the results concerning the explanatory variables. Firstly, the profitability coefficient shows a positive and significant relationship with the payout ratio. A higher profitability can lead to higher dividends since strong profitability implies more internal funds available for dividend distribution. The profitability ratio is the most significant variable (p-value approaching 0) and has the most influence on the dividend distribution rate. The coefficient of this explanatory variable implies that every 1% change in the company's profitability, all else being equal, results in a 1,23% change in the dividend payout ratio.

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Table 5: Variance Inflation Factor VIF

Variable	VIF	1/VIF
ROA	1.92	0. 521855
DCT	1.72	0. 582827
DLMT	1.38	0. 725684
LIQ	1.23	0. 811486
TA	1.22	0. 820219
SIZE	1.05	0. 950282
Mean VIF	1.42	

Source: formulated using STATA14 software(STATA14, 2015)

These results are coherent with the fact that many theories support the fact that firms with high cash flow pay high dividends.

Then, the second determinant liquidity unveils the same result with profitability leading to a positive relationship with dividends. A 1% change in the liquidity ratio, all else being equal, implies a 0.76% change in the dividend payout ratio. This positive correlation aligns with the results of empirical studies referenced in earlier sections. The more companies are liquid, the more they distribute dividends, particularly to mitigate agency problems and minimize the risk of suboptimal use of company resources by managers. According to Algerian law (article 726, Commercial Code), any company distributing dividends is required to pay them within a period not exceeding nine months after the close of the financial year.

Therefore, we conclude that the liquidity of companies is a crucial determinant of dividend distribution policy in Algeria. The results are consistent with the second hypothesis and previous theories. This positive relationship aligns with the findings of empirical studies (Jensen M. , 1986) and (Allal & Benilles, 2020). The regression model results show a positive and statistically significant relationship at a 5% error tolerance level between the tangibility of assets and the dividend distribution rate.

The coefficient implies that a 1% change in the tangibility ratio of a company's assets, holding all else constant, results in a 0.11% change in the dividend distribution rate, confirming hypothesis H5. This positive relationship may refer to the fact that tangible assets can serve as collateral for borrowing, which is widely accepted by banks, including Algerian banks. On the other hand, table N 6 shows that size is negatively affecting dividend yield. This finding is coherent with the results in academic literature studies suggesting a negative relationship between firm size and dividend payouts. Thus, we accept the fourth hypothesis.

Table 6: Determinants of dividend policy

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<i>DIV</i>	<i>Coef</i>	<i>Std Err</i>
<i>ROA</i>	1.237051***	0.2389845
<i>LIQ</i>	0.760777***	0.1457952
<i>SIZE</i>	(0.0453426)***	0.0107779
<i>TA</i>	0.1053046*	0.0494646
<i>DLMT</i>	0.0518325	0.0578452
<i>DCT</i>	0.063031	0.0501968
<i>_cons</i>	1.010998***	0.2241697

Number of obs = 770

R-squared = 0.1298

Estimated covariances = 2485

Waldchi2(6) = 273.69

*, **, *** define statistical significance at the 0.1%, 1%, and 5% levels.

Source: formulated using STATA14 software(STATA14, 2015)

The results showed that leverage does not significantly affect the level of dividends distributed in large Algerian private companies. However, the coefficients of the two variables DLMT and DCT are negative.

*Results Interpretation

The study focuses on identifying the factors influencing dividend policy in Algeria. The results show that examining what impact dividend payment in Algerian firms is quite consistent with the literature and other empirical evidence in developed countries and the Middle East and North Africa region. First, profitability is considered as one of the main elements of dividend policy. It allows dividend payment through the availability of financial resources. Firms with high profitability tend to pay dividends to appeal to future investors and foster positive expectations regarding dividends. High profitability indicates the company's good financial health and stability and unveils the abundant resources to pay shareholders. Then, the second determinant is liquidity. According to the results, liquidity plays the same influence on dividend payments as well as profitability. High liquidity is related to sufficient cash and liquid assets. It shows the firm's capacity to cover short-term financial needs.

Liquidity is essential for maintaining financial flexibility and stability, which can affect a company's dividend policy. Similarly, Asset tangibility has a positive and significant relationship with the dividend distribution rate. This relationship could refer to the fact that tangible assets can serve as collateral for borrowing, which is widely accepted by banks, including Algerian banks. Therefore, companies with high tangibility can afford to distribute profits as dividends and have easy access to debt when needed. However, this study shows a negative correlation between company size and dividend payouts. Larger companies typically exhibit lower dividend payout ratios in comparison to smaller companies. Larger firms have more investment opportunities and therefore prefer to retain earnings for reinvestment rather than distributing them as dividends. The results

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are consistent with the main theories. On the other hand, leverage is not significant in the dividend ratio. These findings are in contrast with the previous theories.

4. CONCLUSION

The relationship between dividend policy and corporate decisions is a central focus of debate in numerous studies within financial literature. However, dividends remain under debate and theories have not yet reached a common pattern on payout behavior. This study highlights some determinants that may influence the dividend policy of Algerian firms by investigating the firm-level factors of dividends. Excluding financial-sector firms from the data, 70 firms are included in the dataset to conduct panel data analysis during the period from 2010 to 2020.

Through the current work, we conclude that the results present a significant contribution to the dividend framework and future research. For further evidence on the determinants of dividend payouts, the study adds value in terms of comparison for future similar research in emerging markets. However, some points are overlooked in this analysis and we recommend examining the impact of the previous payment of dividends on the current dividend. Adding lag dependent variable to the set of independent variables requires dealing with endogeneity if applying panel data. Moreover, we suggest including outside effects such as regulations and general economic conditions on dividends.