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Dividend policy's determinants: The case of Jordanian banks

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Abstract

Examining the factors unique to the bank that impact dividend policy is the primary objective of this research. Dividend yield serves as the independent variable. The factors used to explain the relationship are ROA, MBV, LQ, and BS which stand for risk, liquidity and bank size. Annual data acquired from the financial reports of Jordanian banks from 2006–2023 together with a fixed effect model were used to conduct this study. There are twelve banks with two hundred and sixteen observations in this research. The study found that dividend policy in Jordanian banks is favourably impacted by ROA and LQ and the bank size (BS) variable is adversely affected by the market-to-book (MBV) variable. Banks in Jordan are unaffected by the risk (price per share/earnings per share) variable. The mentioned variables influence the factors that investors in Jordanian banks consider when making investment or dividend policy choices.

1. Introduction

Although dividend policy has attracted much academics attention, it remains a mystery as Black (1976) characterized it. According to Williams (1988) in a discounted cash flow model, a firm's stock price equals the sum of all its future cash flows discounted to the present. After Gordan developed discounted cash flow in 1959, it gained widespread recognition among scholars and practitioners. Theoretically, according to Miller and Modigliani (1961) in an ideal capital market, the distribution of dividends does not affect shareholder wealth. Instead, a company's worth is determined by its profits and investment strategy. What about in the real world when there are faults in the market such as agency problems, variable tax rates, and information asymmetry? Miller and Modigliani (1961) apply in a perfect market. Considering these market realities, academics in finance have put up several hypotheses that attempt to explain the pros and cons of dividend distribution by businesses and the potential effects of dividend policy on stock prices (Bhattacharaya, 1979; Easterbrook, 1984; Jensen & Meckling, 1976; Miller & Rock, 1985; Rozeff, 1982). Numerous scholarly works have elucidated the significance of dividend policy in corporate finance and its consequences on the multiple parties involved in a company's operations, including management, borrowers and investors. Dividend policy affects a company's financing, capital structure and investment decisions, as well as stock prices and the wealth of equity holders. It is widely believed that these decisions are crucial for the firm's overall policy and value creation. Companies can distribute their earnings to shareholders as dividends or reinvest them in the business, reducing their debt ratio. This decision is based on whether the profits were produced in the current or previous period. On the other hand, cutting down on internal earnings due to a dividend distribution choice encourages management to tailor dividend pay outs to equity holders and reinvestment decisions to increase dependency on external sources of finance. There has been little research on dividend policy in developing stock markets. This study is crucial since the factors influencing dividend policy in established markets may be more prominent. The primary

goal of this research is to fill a gap in the existing literature by providing a comprehensive examination of the factors that influence dividend policy in the banking industry of Jordan, a relatively unexplored rising market. There are many shared characteristics across developing countries; the dividend policy of Jordan's banking industry is not unlike that of other emerging markets. Secondly, prospective investors may use the study's findings to better understand the elements that influence the dividend policy in the Jordanian banking industry based on their investment choices. Finally, it directs the attention of bank management to the most critical considerations in the dividend policy they have chosen. Financial experts have been conducting a deluge of empirical studies to understand better dividend policy and the factors that influence it for quite some time. However, no universally agreed-upon explanation for corporations' dividend policies has been reached due to discrepancies in experimental data (Pradika & Rediyono, 2022). What are the factors that affect the dividend policy of banks in Jordan? That is the issue this research aims to address. The second section of the article consists of the literature review and the study's hypotheses. Section three is about methodology. Section 4 is about evidence-based findings, and section 5 is about the conclusion.

2. Literature Review and Study Hypotheses

Some factors that have been the focus of prior research on dividend policy include company size, profitability, liquidity, growth and investment possibilities in various contexts. There is a lack of consensus on dividend policy in the financial literature across several regions including Europe, Asia, and the Middle East. This research aims to pin down the factors that impact dividend policy in Jordanian banks.

The effects of the Jasmine revolution on the dividend policies of Tunisian enterprises are the primary focus of Azouzi and Echchabi's (2016) analysis of the factors that determine dividend payouts. In their analysis of Tunisian listed companies' dividend payouts between 2003 and 2012, Azouzi and Echchabi (2016) found that market-to-book and net cash flow were the most important factors, while the Jasmine Revolution did not play a significant role.

In their study, Baker, Kilincarslan, and Demiralay (2024) surveyed senior management from companies listed on the London Stock Exchange. Their goal was to gain a better understanding of the factors that influence the decision not to pay dividends, to determine if the opinion of equity holders is taken into account, to assess managers' expectations regarding the impact of not paying dividends on stock price, to determine the best explanation for not paying dividends, and to determine the effect of COVID-19 on dividend policies. This study highlighted poor business profitability, corporate life cycle, and expansion potential. This study's findings indicate that the COVID-19 pandemic has no impact on the decision to adopt a zero-dividend policy, equity-holder preferences, transaction costs or insider ownership do not explain why UK firms do not pay dividends. Additionally, this study found that signalling theory does not support a zero-cash dividend. Liquidity, profitability, company size and growth rate are some of the factors that Pradika and Rediyono (2022) used to study the impact of dividend policy in the food and beverage industries from 2016 to 2020. This study used a multiple regression model to test a hypothesis about the relationship between manufacturing sector firms' dividend policies and their profitability, liquidity, and firm size. It found that the growth rate had a negative but significant effect on the dividend policies of manufacturing sector firms listed on the Indonesian stock exchange.

Companies listed on Tanzania's Dar es Salaam Stock Exchange between 2008 and 2016 were the subjects of an investigation by Nyantori and Epaphra (2018) on the variables impacting dividend choices. The dependent variables are dividend payment and dividend yield. The following factors may consider independent variables profitability (ROE, ROA and EPS), size, investment possibilities, liquidity, risk and gearing ratio. The factors determining dividend policy were the basis for twelve regression models. The findings show that the variables influencing dividend policy change when we look at profitability, investment possibilities and dividend policy indicators separately. The dividend yield affected by several factors, including return on equity, the ratio of retained profits to total assets, market-to-book value, company size, and business risk. At the same time, factors including company risk, liquidity, and the retained profits to total assets ratio seem to influence the dividend distribution. After controlling for liquidity in the regression model, the results reveal that ROA influences dividend yield and payout. Typically, dividend yield provides more precise information on dividend policy while return on equity offers a more realistic picture of profitability.

A study conducted by Syed, Zainir, and Isa (2018) investigated the factors that impact the dividend policy of Bangladeshi stock market banks. The research examined the relationship between the dividend payout ratio (the dependent variable) and many independent factors (the study's period, 2007–2011) including financial performance, company size, investment opportunities, and ownership concentration. The study's findings do not indicate a relationship between Bangladeshi banks' dividend policy and their profitability, investment opportunities or ownership. However, the study's findings show a positive relationship between risk and dividend payout ratio that aligns with Bangladeshi banks' milking the property' technique. The dividend payout ratio seems to be positively correlated with the age of the institutions. It seems that reasonably well-established banks in Bangladesh are known for their dependable dividend payouts.

In their research, Kullab, Messabia, Altaweel, and Shehada (2022) set out the following two things: first, find out if the dividend theories developed for non-financial enterprises in mature institutional environments can explain why Palestinian banks pay dividends. Palestinian banks show anxiety about the

rising market. Secondly, it is essential to determine the main elements that influence the decision-making process of banks about dividend payments. The study uses pooled probit and ordinary least squares models from 2010 to 2019 for banks listed on the Palestine Stock Exchange Market. According to the results, the Palestinian financial institution scenario is relevant to agency cost, regulatory pressure and signalling theories. Several factors, including capital sufficiency, bank size, and profitability was shown to have a significant impact on Palestinian banks' dividend distribution preferences and payout ratios. Similarly, the findings revealed that bank size is the most important factor in determining dividends followed by profitability and capital sufficiency. A beneficial impact on the dividend policy choices is made by Palestinian banks.

Louziri and Oubal (2022) looked at factors that affect dividend choices in the Casablanca stock market. A fixed effect model was used to analyze micro-level data from 2003 to 2018. The variables that were analysed were drawn from the key dividend policy theories. Financial institutions are employed as a dummy variable along with profitability, leverage, company age, firm size, retained earnings, P/E ratio, growth potential and other independent factors included in the research. The results were confirmed using dividend yield and payout ratio as dependent variables. The research demonstrated that a firm's age, growth potential and size are the three most important variables influencing dividend policy. The negative relationship between dividend policy and business age and size is explained by signalling theory. Opportunities for growth and dividend payouts are inversely correlated according to theories of agency, financial flexibility and life cycles. This study provides useful data on the variables affecting the Casablanca stock market dividend policy and certain company traits.

Nkrumah, Ofori, and Anaba (2021) will examine what variables impact the dividend choices made by Ghana Stock Exchange (GSE) banks to fill a gap in the research. Sources used to compile the study's data included the 2015 Ghana Banking Survey Report, the Annual Financial Report of Ghana, and 10 years' financial reports from the listed banks. The seven financial institutions that were part of the study were all listed on the GSE. Information was gathered using panel data from 2006 to 2015. Ordinary least squares were used to analyze the relationship between the dependent variable and the independent variables. The research found that Returns on Asset (ROA) was a positive and statistically significant predictor of dividend policy among GSE-listed banks. Banks' free cash flow, the ratio of total loans to non-performing loans is another critical component affecting dividend distribution. The bank branches (BR), average inflation, and leverage of the Bank of Ghana showed no relationship with dividend payments.

From 2018–2021, health firms listed on the Indonesia Stock Exchange were analysed by Sari, Primasari, and Farida (2023) to determine the impact of company size, profitability, liquidity, debt ratio, and free cash on dividend choices. The dividend policy-signalling hypothesis is the foundation of the research. The company's yearly financial report was the source of the data. Purposive sampling was the chosen sampling technique based on predetermined criteria. Data was analysed using the multiple linear regression approach. According to the study's results, dividend policy is unaffected by profitability, free cash flow, or indebtedness. This research confirms previous findings that dividend payouts positively correlate with company size. Consequently, free cash flow, profitability, debt, and liquidity do not affect the firm's dividend policy.

Al-Fasfus's (2020) research aims to clarify how factors such as a bank's age, size, liquidity, leverage, profitability and free cash flow affect the dividend paid out to stockholders. This research used panel data spanning 2004–2015 for multiple regression analysis. The research found that dividend policy at Jordanian banks was influenced by liquidity, free cash flow, leverage, and profitability. When it came time to decide how much to pay out in dividends, Jordanian banks did not care about their size or age.

Khoiruddin and Alkhomah (2022) analyse the factors that influence the dividend policy of Islamic and Sharia manufacturing enterprises from 2017 through 2019. Dividend yield served as the dependent variable while the independent factors comprised earnings volatility, earnings per share, tax rate, debt-to-equity ratio, firm size, market-to-book ratio and return on equity. Eleven non-Islamic and thirty-three Islamic businesses made up the study's sample of 51. The approach used to analyze the data was multiple linear regressions. Non-Islamic manufacturing businesses' dividend policies were shown to be highly impacted by institutional ownership and current ratio. On the other hand, the debt-equity ratio highly influences the dividend policy for Islamic firms on the Indonesia Stock Exchange, return on equity and market-to-book ratio.

Anuar, Haniff, and Azero (2023) find out variables that impact dividend policy for Malaysian publicly listed corporations. Profitability, business size, tax rate, liquidity and leverage are all factors that are considered in the research. The research sample consists of 83 publicly listed Malaysian enterprises using yearly data from 2013–2017. Multiple regressions, multicollinearity, diagnostics, normalcy, autocorrelation, and Pearson's correlation coefficient analyses were among the several that were conducted during the research. The findings showed that the dividend payout ratio—a measure of dividend policy is unaffected by liquidity and leverage. However, dividend policy is favourably affected by the following variables: profitability, business size and tax.

Dewasiri et al. (2019) use a sample size of 1,337 observations and a demographic of 191 Sri Lankans to investigate whether variables influence dividend policy in developing and emerging markets. The variables influencing dividend policy were investigated using a fixed effect panel approach. The elements that impact dividend policy include company size, corporate governance industry influence, investment possibilities,

profitability, free cash flow and past dividend choices. The findings show that dividend payment was influenced by profitability and dividend yield. Lastly, the findings provide credence to dividend policy hypotheses such as the life cycle, signalling, pecking order and free cash flow theories.

According to the reviewed literature, dividend policy choices are affected by a myriad of factors. According to previous research, many variables influence a company's decision to pay out dividends, including its profitability, sales growth, debt ratio, market-to-book value, and free cash flow. The level of financial and economic development in the nations where the research was conducted varied. The focus of this research is the dividend yield and the factors that influence the decision to pay dividends by banks in Jordan. We postulate the following based on our analysis of the relevant literature:

H_1: Return on assets positively influences dividend policy in Jordanian banks.
H_2: Market-to-book value positively influences dividend policy in Jordanian banks.
H_3: Risk has a positive influence on dividend policy in Jordanian banks.
H_4: Liquidity has a positive influence on dividend policy in Jordanian banks.
H5: Bank size positively influences dividend policy in Jordanian banks.

3. Methodology

3.1. Data

Panel data also known as secondary data is used in this research. It incorporates cross-sectional and time series data all at once. Financial institutions in Jordan listed on the Amman Stock Exchange is the focus of this research from 2008 to 2023. The information came from banks' yearly financial reports. Dividend Yield (DY) is the dependent variable in this analysis but the independent variables include things like return on assets (ROA), market-to-book value (MBV), risk/EPS, liquidity and bank size (BS). Banks meeting the following criteria were included in the study's sample:

1. Bank listed on the Amman Stock Exchange and not involved in any mergers with other banks during the study period.
2. The bank has audited and published financial statements for at least three consecutive years.

3.2. Model Specification

We use the panel data approach particularly the fixed effect model to examine the factors influencing the dividend policy of the banking industry in Jordan. The most effective methods of data analysis were found to be panel data models. These models provide the integration of cross-sectional and time series data, yielding more robust, credible and trustworthy results. In particular, panel data models consider individual heterogeneity. Panel data models provide more data variance, degrees of freedom, and less collinearity by merging data into two dimensions. In contrast to the random effects model which presupposes that the dependent variable (dividend yield) is unrelated to individual characteristics, the fixed effects model assumes that each bank has a non-stochastic group-specific component.

This research used balanced panel data analysis to determine which bank-specific factors impact dividend policy in Jordanian banks. A degree of freedom will be present with panel data. We estimated the models for pooled (OLS), fixed effects, and random effects, and then we did the tests listed below to determine which model is most suitable for our research.

Table 1. Chow test.

Effects test	Statistics	d.f.	Prob.
Cross-section F	9.806	(10.72)	0.000

3.2.1. Chow Test

The fixed effects model is superior to the pooled Ordinary Least Squares (OLS) approach as indicated by the Chow test results in Table 1 where the cross-section (F) probability value is 0.0003 which is less than 0.05. Additionally, we applied the Hausman test to determine which of the two models, fixed or random effects is more suitable for our research.

Table 2. Hausman test.

Test summary	Chi-sq. statistic	Chi-sq. d.f.	Prob.
Cross-section random	4.171	3	0.003

3.2.2. Hausman Test

We reject the null hypothesis which means that the fixed effects model is appropriate for our study depending on the results of the Hausman test in Table 2 which indicate that the cross-section random p-value of 0.20035 > 0.05. The study's model is expressed as in line with previous studies about the determinants of dividend policy:

$$YDit = \alpha + \beta_1 ROAit + \beta_2 MBVit + \beta_3 RISKit + \beta_4 LQit + \beta_5 BSit + \varepsilon it \quad (1)$$

Where

Here are the definitions of the variables:

A bank's dividend yield (YD) at a given time is the product of its dividends per share and its share price.

The return on assets (ROA) for bank i at time t calculated as profit before interest and taxes divided by total assets.

MBV is the ratio of the market value of the equity at time t to the book value of the equity for banks i.

The risk is the ratio of the bank's share price to its earnings per share as of time t.

At time t, t liquidity for bank i is calculated as (current assets—inventory+ prepayments)/current liabilities.

BS: The size of bank i at time t is calculated as the natural logarithm of total assets.

α: Intercept of an equation. $\beta 1$: Coefficient of X it variables i, t: Represent bank. i at year t.

ε: Term error.

Table 3. Descriptive statistics.

Variables	DY	ROA	MBV	RISK	LQ	BS
Mean	4.287	0.012	2.085	11.702	0.315	9.378
Median	4.769	0.013	1.819	10.884	0.299	9.329
Maximum	12.658	0.075	4.684	19.972	0.629	10.568
Minimum	0.000	-0.001	1.108	5.151	0.118	8.710
Std. dev.	3.013	0.006	0.849	3.602	0.105	0.414
Skewness	-0.006	3.451	1.231	0.556	0.403	0.962
Kurtosis	2.233	34.606	3.738	2.328	2.571	3.672
Jarque-Bera	5.290	441.827	59.539	15.208	7.522	37.424
Probability	0.071	0.000	0.000	0.000	0.023	0.000
Sum	526.110	2.669	450.469	252.660	68.196	202.666
Sum sq. dev.	151.893	0.010	155.227	279.524	2.380	36.915
Observations	216	216	216	216	216	216

4. Empirical Results

4.1. Descriptive Statistics

The descriptive statistics for the research variables derived from 216 data gathered from a sample of 12 banks between 2006 and 2023 are shown in Table 3. The dividend yield (DY) ranges from 0.00 to 12.6582 with a standard deviation of 3.0131 as shown in the table. The results also reveal that the return on assets variable had a standard deviation of 0.0069 and a range of values from -0.0017 to 0.0758. According to the data, the market-to-book value variable had a minimum value of 1.108523, a maximum value of 4.684113 and a standard deviation of 0.849699. The investment opportunities variable ranges from a minimum of -0.0009 to a maximum of 0.5646 with a standard deviation of 0.0393. The risk variable ranges from a minimum of 5.1514 to a maximum of 19.9720 with a standard deviation of 3.6027. The range of values for the liquidity variable is from 0.1188 to 0.6295 with a standard deviation of 0.1052. The bank size variable ranges from 8.7103 to 10.5687 with a standard deviation of 0.4144.

Table 4. Correlation matrix.

Variables	DY	ROA	MBV	RISK	LQ	BS
DY	1					
ROA	0.146	1				
DR	0.080	0.238	1			
IO	0.131	0.135	0.191			
RISK	-0.230	0.065	0.257	1		
LQ	-0.151	0.225	0.124	-0.122	1	
FS	0.100	-0.007	0.404	-0.186	0.133	1

4.2. Correlation Analysis

According to Table 4, there is a positive relationship between the dependent variable (DY) and the independent variables (ROA, market-to-book value, investment opportunities and bank size) which shows the correlation matrix. It also shows that YD, the dependent variable negatively correlates with risk, liquidity and profits per share. We may deduce that there is less than 80% degree of association between the dependent variable and the other variables with a maximum correlation coefficient of 48% between the market-to-book value and bank size variables. These findings rule out the possibility of an issue with correlation among the study's variables.

Table 5. Fixed effects regression results.

Variables	Coefficient	Std. error	t-statistic	Prob.
Return on assets (ROA)	10.277**	1.652	2.541	0.001
market to book (MBV)	-6.473**	0.161	2.310	0.003
Price per share/ Earnings per share (RISK)	-0.091	0.076	-0.505	0.113
Liquidity (LQ)	7.700***	1.830	4.207	0.000
Bank size (BS)	8.604**	1.733	2.823	0.011
R-squared	0.784			
Adjusted R-squared	0.734			
F-statistics	29.235			
Prob(F-statistics)	(0.000)			

Note: *** Significance at 1 percent level, ** significance at 5 percent level.

4.3. Regression Analysis

Examining the factors unique to the bank that impact dividend policy is the primary objective of this research. Table 5 shows that the research factors explained 78% of the variance in dividend policy across Jordanian banks. These variables include return on assets, market-to-book value, liquidity and risk.

Table 5 shows that the profitability coefficient (ROA) is positive and statistically significant at the 5% level. A 5% rise in profitability would result in a dividend policy increase of 0.1027 in Jordanian banks suggesting that profitability (ROA) drives dividend policy with all other factors held equal. This outcome is based on earlier research. Research was conducted in a developing and emergent market by Dewasiri et al. (2019). They demonstrate that dividend policy is substantially affected by profitability as measured by return on assets. This finding contradicts Myers (1984) pecking order hypothesis which proposes that corporations want to keep their profits rather than share them since retained earnings are a key funding source for investment possibilities. On the other hand, this conclusion contradicts what emerges in the research of Al-Kayed (2017) who discovered that the profitability variable negatively affects the dividend yield in banks in Saudi Arabia. Thus, we concluded that return on assets favourably impacts Jordanian banks' dividend policies.

A negative but not statistically significant effect of the market-to-book value on dividend policy in Jordanian banks was shown by the coefficient value of -6.473258 for the market-to-book value (MBV), which is used as a measure of growth potential for the bank variable in the research. This finding runs counter to the assumptions made by theories of dividend policy, including financial flexibility which propose that companies may fund growth possibilities via internal cash flow rather than dividends. Danila, Noreen, Azizan, Farid, and Ahmed (2020) found different results in their earlier research.

The risk coefficient which is the product of the share price and earnings per share is shown in Table 5 showing that dividend policy and risk do not interact with Jordanian banks. Table 1 shows that the mean value of the risk (P/E) variable is 10.88 and companies with a high P/E ratio prefer to pay dividends, according to Myers and Frank (2004). This finding contradicts the findings of Krishnan and Chen (2019) and Franklin and Kala (2010) who discovered a negative relationship between the P/E ratio and dividend policy. Therefore, we found no evidence that risk had a beneficial effect on dividend policy in Jordanian banks, thereby rejecting that hypothesis.

According to Table 5, the likelihood of the liquidity (LQ) coefficient being 7.7006 is 0.000. This finding provides further evidence that the liquidity variable influences dividend policy positively and is statistically significant at the 1% level. This suggests that a high dividend yield indicates a highly liquid bank. Thus, this finding is consistent with free cash flow theory which acknowledges a positive relationship between liquidity and dividend policy and asserts that a company should provide cash dividends to its shareholders whenever it has surplus cash flow. This confirms what other research has shown that the liquidity variable is a crucial factor in dividend policy and that these findings hold across contexts. Takmaz (2017), Badu (2013) and Maharani, Lukiana, and Fauziah (2021) are all relevant. According to their research, the liquidity variable positively influences dividend policy. This result contradicts other studies (Lee & Yoon, 2017; Mahdzan, Zainudin, & Shahri, 2016). We accept the premise that liquidity positively affects dividend policy in Jordanian banks.

There is a positive relationship between bank size and dividend policy among Jordanian banks that is statistically significant at the 5% level. This indicates that a larger bank can pay out more dividends since the dividend policy of a smaller bank will be reduced by 8.6043 for every one percent rise in the bank's size. According to Mueller (1972) the life cycle theory of dividends states that is more widespread and older enterprises are less risky and mature. This is in line with that idea. Since smaller and younger enterprises have more leeway to access capital markets for funding, they pay dividends to equity holders based on internal profits (earnings). The agency theory states that big enterprises may reduce agency costs by distributing dividends consistent with the findings of Bostanci, Kadioglu, and Sayilgan (2018); May and Yacob (2018) and Tahir and Mushtaq (2016). However, the results of this study align with those of previous research, which found no correlation between bank size and dividend policy Sinabutar and

Nugroho (2015) and Pratap, Thakur, and Kannadhasan (2018). We accepted the theory that larger banks in Jordan had more generous dividend policies.

5. Conclusion

This research aims to learn more about the variables and causes that influence the dividend policy of banks in Jordan using balanced panel data spanning 2006–2023 with 216 observations. Twelve banks in Jordan had their dividend policies analysed using a fixed effect model. A dividend policy proxy, the dividend yield was used in a regression analysis with the following five explanatory variables: return on assets (ROA), market-to-book value (MBV), risk (P/E ratio), liquidity (LQ), and bank size (BS). According to the fixed effect model results, dividend policy is influenced by four factors. It has been shown that dividend policy in Jordanian banks is favourably impacted by the Return on Assets (ROA) and Liquidity (LQ) variables and adversely impacted by the market-to-book (MBV) variable. Lastly, Jordanian banks are unaffected by RISK (price per share/ earnings per share).

Managers and investors may use the study's suggestions as a foundation. Bank management has a heavy burden in determining the best dividend policy to adhere to because of the policy's impact on the firm's strategy and value. Bank management's capacity to comprehend the factors impacting dividend policy might enable them to compare their dividend policy to that of their rivals and make required adjustments. Managers should consider ROA, risk, liquidity and the size of the bank when formulating dividend policy. Considering a company's profitability and dividend policy is important for investors, as they want companies that have paid dividends in the past. Future studies should take into consideration the research's shortcomings. One indicator of dividend policy that this research uses is dividend yield. Alternative dividend policy metrics such as dividend payments might be explored in future research. The capacity to generalize the research conclusions is limited since this study only included the banking sector of Jordan and did not include other nations such as Arab countries. Additional banks, additional variables (such as taxes, non-performing loans and insider ownership) and alternative methods (such as the generalized method of moments) could be considered in future studies that aim to determine what factors influence dividend policy (GMM). The impact of control variables on dividend policy such as the stock market's response to dividend payments may also be the subject of future studies. All banks should be included in the sample.

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