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Cracking the code: Unveiling dividend policy factors in Palestine's stock exchange (PEX)

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Abstract: This study aims to enrich the literature on dividend policy by better understanding the factors and determinants affecting dividends. This study used 11 independent variables from secondary data, balanced panel techniques, and fixed and random effect regressions for 29 listed companies over seven years. The results indicate a favorable association between (earnings per Share, Cash flow, Firm Size, and Lagged dividends) and dividend payout ratios. None of the other predictors were significant in the regression analysis. This is the first study that comprehensively covers dividend policy using 11 variables identified by researchers. Since this area of research is still considered a puzzle, this study presented an improved model with a 75% model fit. Policymakers should revise current dividend policy disclosure to serve investors' needs and goals. Future research includes understanding cultural norms, expanding the sample size, and possibly subdividing observations into sectoral categories.

Keywords: *Cash flow, Firm size, Dividend policy, Earnings per Share, Lagged dividends.*
JEL Classification: *G11; G32; G35.*

1. Introduction

The importance of dividend policy (DP), as the most crucial component of corporate finance, has grown in recent years. It has been demonstrated that businesses with good performance generate more revenue and can invest in it to achieve a range of goals [1]. According to Syamsiyah [2], dividends are a puzzle, with some parts that are unsuitable when further examined. Dividend distributions must continue to ensure that investors hold on to their shares for an extended period. This suggests that the choice to continue paying payouts is directly affected by DP and that maintaining a company's good reputation depends on paying dividends to shareholders [3].

One of the most crucial choices in corporate financing is to distribute a company's profits, pay dividends, and retain capital. This choice resulted from implementing the corporate dividend policy's guiding principles and procedures after carefully examining the internal and external environments [4]. The viability of dividend payments from an economic perspective remains debatable. The impact of dividend policy on stock prices and corporate value has been addressed differently by the authors of dividend policy theory and several experimental investigations [5]. Consequently, dividend policy is an element of the business culture that contributes to socially sustainable development [6] , it requires a company manager to pay shareholders a specific amount of dividends, often known as dividends per share (DPS) [5]. Investors rely on dividend payments to ensure lengthy holding periods for stock investment. In addition, dividend payouts to shareholders are crucial for a business to maintain a positive reputation [1].

Delivering profits to shareholders to assist their quest for wealth maximization is defined as a "dividend" as well. It also acts as a performance gauge and considers a scenario in which the firm's management decides to pay out this year. If this occurs, the firm's profit declines, which also results in a decrease in the amount of internal financing that is accessible [7]. If management decides not to pay dividends, it will instead raise money from internal corporate resources that are used to maintain a company's current condition of existence [8].

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Several issues the business faces could prevent it from providing dividends to its shareholders, which would cause the dividend payout ratio to decrease [5]. Thus, economic research has paid much attention to the drivers of DP, which are mutual elements impacting the corporate dividend choices of many organizations [2]. These elements are necessary for investors' pursuit of dividends, the construction of a solid corporate governance framework by managers, and the development of a model of economic regulation by decision-makers [5].

Despite the growing literature on DP, there still remains a significant research gap in understanding how political and economic instability influences DP within Palestinian firms. Existing literature overlooked the impact of a conflict zone regulatory environment and investor behavior in such a context. The interplay between financial statement ratios and DP in Palestine is also underexplored. Addressing these gaps is essential to comprehensively understanding DP by employing 11 dependent variables. This paper also offers valuable insights to policymakers, investors, and managers.

The significance of this paper lies in its comprehensive analysis of dividend policy determinants among firms listed on PEX, utilizing an extensive set of 11 independent variables over a seven-year period. By employing balanced panel techniques and fixed and random effect regressions, this study offers robust empirical insights that enhance the existing literature on dividend policy. Notably, the findings reveal a favorable association between earnings per share, cash flow, firm size, and lagged dividends with dividend payout ratios, while other predictors do not show significant effects. This research not only presents an improved model with a 75% model fit but also highlights the need for policymakers to revise current dividend policy disclosures to better align with investors' needs. By addressing the dividend policy puzzle in the context of an emerging market, this study provides valuable implications for both academic researchers and financial practitioners, paving the way for future investigations into the cultural and sectoral influences on dividend decisions.

The paper covers a literature review and hypothesis development, followed by the methodology employed to answer the paper's hypothesis, results section, and discussion.

2. Literature Review

Dividends are earnings shareholders receive in exchange for holding firm stock. To avoid struggles of interest among executives and stockholders and to prevent managers from taking measures that could deplete shareholders' wealth, dividend payments to shareholders are primarily designed to reduce free cash flow [9]. Prior publications have disclosed a company's prospects and private information for management through dividend payment plans, allowing investors to make informed investment decisions. Additionally, industry experts concur that there is no definitive explanation for dividend policy, making it a significant business issue that influences both company finance and investment decisions [10]. Dividend policy has been a contentious issue since the work of Miller and Modigliani (1961) and John Lintner (1956). Since all dividend policies are equal and none can increase shareholder value in an efficient market without taxation or transaction costs, neoclassical theory advocates the neutrality of dividend policy [11].

A dividend policy is a set of guidelines that a company's management must follow when determining the amount of earnings paid to shareholders as dividends. The dividend distribution amount to shareholders is specified in the dividend policy [9], where managers make decisions and speak to shareholders in business settings. Shareholder decisions regarding dividend payments impact investment results [12]. Even if they prefer to keep profits for their use rather than distribute them to shareholders, managers frequently maintain profits because distributing dividends reduces the revenue available to managers and creates agency problems [13]. Therefore, shareholders and company managers must exercise caution when discussing dividend policies. Managers must balance the percentage of income paid as dividends and retained earnings for a company to succeed [11].

2.1. Earnings Per Share and DP

Earnings, often called "net income," are the most significant line items in a company's financial statements [14]. They show the amount of money a business spends on value-added activities. According to Lev [15], earnings guide resource distribution in capital markets. For example, declining

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earnings show declining corporate value, and increasing earnings show growing corporate value. To calculate the company's earnings per share, the company's earnings are divided by the total number of common shares issued [16]. One measure of how well a company turns a profit for its owners is the earnings per share. This illustrates how increasing revenue increases shareholder value. Naturally, prospective investors are drawn to company stock, and as a result, more demand for shares raises the dividend payout and boosts the company's worth [17]. Thus, the following hypotheses were developed:
H_1: There is a positive relationship between earnings per share and DP.

2.2. Growth and DP

Firm expansion is a title that obtains much consideration in the literature on topics like entrepreneurship, strategic management, and industrial organization [18]. A company's success and an entrepreneur's satisfaction are both indicated by growth. Both academics and policymakers interested in expansion primarily concentrate on small and medium-sized firms, with a decline in growth and dividend payouts rises [19]. According to [20-22] and others, a company's growth increases with the commercial opportunities in the market. Therefore, they paid the shareholders a lower dividend. A study by Nizar Al-Malkawi [23] found that dividend programs had a favorable and significant impact on growth. As a result, payouts rise as the company grows [3]. Thus, the following hypotheses were developed:
H_2: There is a positive relationship between the growth of the firm and DP.

2.3. Profitability and DP

Profitability quantifies a company's ability to generate profits from sales, making it one of the most crucial indicators of the effectiveness of its investment and operational and financial management policies [4]. When assessing a company's capacity for financial management, profitability offers insight into its overall performance. The main focus of prior studies on dividend policies is profitability. Companies opt to invest in retained earnings rather than distribute sizable dividends according to the ranking principle. According to [24], dividend payments are highly correlated with profitability. Thus, the following hypotheses were developed:
H_3: There is a positive relationship between profitability and DP.

2.4. Business Risk (R) and DP

One element that could lead to a company failing due to its failure to fulfill its obligations is the level of business risk. According to [25], business risk may increase when a company substantially relies on debt to meet its financial obligations [17]. Businesses with higher business risks should use less debt than those with lower business risks because it will be harder to repay their debts as the risk increases [1]. The riskier a company's operations, the more cautiously it builds its capital structure. To prevent the need to reduce dividends in the future if revenues fall, high-risk firms often pay smaller payouts [26].

According to [27], business risk arises when a company is influenced by shifting sales and costs and cannot cover its operational expenses. According to [28], high business risk can make it harder for a company to raise money to run its business. Additionally, the company is taking this action because it anticipates a future drop in dividend payments and knows that investors might not like it [1]. Raising dividends lowers investors' exposure to projected cash flows, which eventually increases the value of the business [29], and both the stock market price and P/E ratio increase. Thus, the following hypotheses were developed:
H_4: There is a positive relationship between business risk and dividend policy.

2.5. Financial Leverage and DP

Financial leverage refers to the liability a company uses to finance its assets. Companies use financial leverage for various reasons [30]. The pecking order theory [31] theorizes that this is due to short-term debt's inability to generate cash flow or the necessity for further funding to finance the project. Financial leverage leads to increasing projected returns, as determined by net income. Referring to the trade-off hypothesis, there is an ideal amount of financial leverage at which a corporation can

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maximize its financial performance [32]. Because preferred stocks are superior to common stocks in the financial residual on the occasion of capital liquidation, the firm's level of debt is a crucial factor in defining the equity risk it faces [33]. There are discrepancies in the empirical evidence from previous studies on leverage and dividend distributions. [24] examines the connection between substantial financial leverage and payouts. [28] Asserts that financial leverage and dividend distribution have a similar unfavorable relationship. A positive and statistical correlation between leverage and payouts was discovered [34]. Thus, the following hypotheses were developed:
H_5: There is a positive relationship between financial Leverage and DP.

2.6. Cash Flow and DP

Cash flow is a crucial indicator of a company's financial health. High cash flow is associated with higher market and operating costs. Cash flow increases the costs associated with accessing capital markets and the likelihood that a company may need to do so [35]. Cash receipts minus cash payments over a given period equals the cash flow. It can also compute cash flow by including comparable depreciation, consumption, and amortization amounts in net profit [36]. A complete cash flow statement includes cash flows from operating activities, investing, and borrowing [37]. A company's operational, investment, and financing activities are covered by cash flow analysis and information concerning cash inflows and payments made during an accounting period [38].

The capital provider can access cash flow for reinvestment after fulfilling a firm's obligations. The resource provider (lender of equity or debt) also has cash [37]. The cash flow principle pays dividends to owners to prevent executives from constructing redundant empires for their sole advantage [35]. According to [36], shareholders prefer dividend increases that limit managers' access to cash flow. Thus, the following hypotheses were developed:
H_6: There is a positive relationship between cash flow and DP.

2.7. Investment Opportunities and DP

An investment is a purchase that anticipates profit or capital growth [39]. A financial asset is considered an investment if it is bought, expecting to provide income or be sold for profit eventually. Every strategy utilized to produce future revenue is called an "investment [40]. This includes investing money in acquiring stocks, bonds, or real estate. Investment can also include a finished building or another facility used to produce commodities [19]. Dividends are a draw for investing for primary and secondary market investors. After turning a profit, a business must select how to use the money it earned [41] . The dividend policy becomes crucial because businesses must choose their investment activities wisely to optimize their profits and market value [39]. Investment opportunities impact dividend policies [41]. This shows that investment opportunity impacts the increase in dividends because managers frequently pay dividends to shareholders in already-established organizations or have considerable IO development [18]. Investors choose well-established companies, because they are more likely to pay dividends consistently throughout the year. Thus, the following hypotheses were developed:
H_7: There is a positive relationship between Investment opportunities and DP.

2.8. Company Size and DP

Khoiro, Suhadak [42] contended that a company's size is based on its variety of production or service capabilities. The natural logarithm of total assets and sales determines this size. Larger companies can better repay shareholders with higher dividends than smaller ones, as Hashemi and Zadeh [30]. Because licensing fees increase complexity and impact shareholder capabilities, agency issues will increase business licensing prices [2].

Various scholars have examined how company size affects dividend policy as one of the elements. According to certain scholars, business size and dividend policies are positively linked [43]. The primary traits of large businesses include their capability diversity, increased economies of scale, and significant competitive advantages, all of which allow them to generate higher profits [30]. Size has

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negligible to no impact on dividend policy, according to [44]. Thus, the following hypotheses were developed:

H_8: There is a positive relationship between Company size and DP.

2.9. Current Ratio and DP

Brigham and Houston [25] claimed that dividing current assets by current liabilities yields the current ratio. It shows how much of the assets are now scheduled to be converted into cash to cover existing liabilities. According to [45], the current ratio is a pertinent and helpful indicator of liquidity and near-term solvency, but it has some limitations. According to [46], dividend payments increase when liquidity decreases. A higher likelihood of dividend payments increases a company's liquidity. If a corporation requires liquidity, dividends should be reduced [47]. Retained earnings can be utilized as an internal funding source in this situation. This is because payouts require cash outlays, which reduce the available liquidity (meeting current liabilities). businesses and shareholders can distribute more significant cash dividends when they have a higher level of liquidity [48]. Thus, the following hypotheses were developed:

H_9: There is a positive relationship between the current ratio and DP.

2.10. Ownership Dispersion and DP

The issue of ownership dispersion was a vital phenomenon raised by Means [49]. Since the emergence of controversies over agency theory initiated by Jensen and Meckling [50], the resulting problems have shifted the focus of financial analysts and researchers toward explaining the factors that determine agency costs, most notably ownership structure [51]. One of the most critical factors affecting companies' financial performance is their ownership structure. Consequently, it plays a vital role in increasing a firm's performance by highlighting the interaction between the owners of capital and the board of directors [52].

The ownership structure in the dividend decision-making process is affected by shareholder name, voting privilege, and capital distribution. Thus, the relationship between ownership dispersion and dividend policy is complicated by the multiplicity of owners. According to [53], there are several links between ownership structure and DP depending on the type of owner and the degree of ownership. Based on the conclusions of the study [11], DP and ownership dispersion have a favorable relationship. Thus, the following hypotheses were developed:

H_{10} There is a positive relationship between ownership dispersion and DP.

2.11. Lagged Dividends (LD) and DP

According to [54], an LD occurs when a company's current DP amount is determined by the number of dividend payments made in the past. According to [27], shareholders often have a stable and increasing outlook for dividend payments. According to [55], a company that consistently pays dividends yearly is a positive indication that it will continue to generate cash flow. By doing this, shareholders may forecast and assess the company's success, leading to an adjustment in share prices, because many shareholders decide to participate in the business. [56] find that shareholders typically have a strong preference for dividend payouts that are fixed, continuous, and unchanging.

[54]contend that lagged dividend impacts DP because earlier payouts are a baseline for current payouts. Lag dividends, which are a consistent indicator of payouts, show that management intends to follow a DP with continuous payouts. DP is influenced by shareholders' perception of payout growth as an optimistic sign that firms have a promising future. The earlier year's payouts may be used as a baseline when determining the current payout of companies whose dividend policies are not instantly modified [57]. Thus, the following hypotheses were developed:

H_{11}: There is a positive relationship between Lagged dividend and DP.

3. Methodology

The secondary data required to conduct this study were obtained from the Palestine Stock Exchange. The target companies were non-financial companies, including 29 registered companies. This

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study focuses on the services, investment, and industrial sectors and excludes listed companies, such as banks and insurance companies. Necessary financial data were also gathered for seven years (2015–2021), as 2015 was the base year for the variables used in this study. This resulted in a sample of 209 corporate financial statements. It should be emphasized that companies delisted during the reporting period were excluded. A statistical analysis package (STATA) was used to accomplish the study's goals and test its hypotheses. The study employs panel data analysis to account for the temporal and cross-sectional dimensions of the data. The panel data methodology provides several advantages, including controlling for individual heterogeneity, reducing multicollinearity, and increasing the efficiency of econometric estimates. The use of panel data analysis also includes diagnostics tests, which help to ensure that the model assumptions are satisfied, which in turn guarantees the validity, reliability, and accuracy of the results. [58] [59].

3.1. Dependent Variable: Dividend Policy (DPS)

Several researchers, including [60-63], employ dividends per share in their investigations. The corporations' cash dividend/outstanding shares were used to calculate the dependent variable DP in the current study.

3.2. Independent Variables: Factors Affecting DPS

This study measures the independent variables (Lagged Dividends, Growth, Earnings Per Share, Cash Flow, Company Size, Leverage, Current Ratio, Ownership Dispersion, ROA, and Risk).

3.3. Regression Model Specification

This study uses linear regression to analyze the influence of different variables on the dividend policy of companies, where the linear regression model allows for the estimation of the association between DP and the various elements under consideration:

$$y = \alpha + \beta it\ EPS + \beta it\ CF+ + \beta it\ GR + \beta it\ IO + \beta it\ S + \beta it\ R + \beta it\ ROA + \beta it\ Lev + \beta it\ CR + \beta it\ OD + \beta it\ LD + eit$$

From Model (1):

y: Is the dependent variable - the company's DPS;

X: See Table 1

α: Fixed over time

i: cross-sectional and;

t: time-series dimension

eit: disturbance term;

The study variables can be summarized in Table 1.

Table 1.
Study variables measurement.

Variables	Symbol	Measurement
Dividend/ Share	DPS	Cash dividend/Outstanding shares
Earnings/ Share	EPS	Net income/ Number of outstanding shares
Growth of the firm	GR	(Current sales-previous year sale)/Previous year's sale
Profitability	ROA	Net Profit/ Total assets
Business risk	R	Market price per share / Earnings per share
Financial leverage	Lev	Debt/ Equity
Cash flow	CF	Operating cash flow/ Total assets
Investment opportunities	IO	Retained earnings/ Total assets
Company size	S	Log total assets
Current ratio	CR	Current assets / Current liabilities
Ownership dispersion	OD	Number of shareholders
Lagged dividends	LD	Previous year's cash dividends/Outstanding shares

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4. Results and Discussion

4.1. Descriptive Statistics

Table 2 shows descriptive statistics, including the mean value, standard deviation for numerical variables, and minimum and maximum values.

Table 2.
Descriptive statistics.

Variable	Obs.	Mean	Std. dev.	Min.	Max.
DPS	203	0.084	0.147	0	0.7
EPS	203	0.238	0.414	-0.214	3.157
CF	203	0.04	0.081	-0.33	0.369
Gr	203	0.217	1.854	-1	25.452
IO	203	-0.018	0.564	-5.369	0.718
S	203	7.494	0.673	5.89	9.009
R	203	58.021	283.865	-234.166	2800.9
ROA	203	0.07	0.163	-0.622	0.992
Lev	203	0.695	0.586	0.012	3.022
CR	203	3.718	7.229	0.025	65.912
OD	203	2638.64	3692.471	62	13653
LD	203	0.09	0.317	0	4.14

Based on table 2, all variables consist of 209 observations. The OD variable exhibited higher std than other variables. Average dividend ratio for the current and preceding years is around (.084).

4.2. Variance Inflation Factor (VIF)

The VIF was calculated to further assess the presence of multi-collinearity. A coefficient exceeding 10 suggests multi-collinearity [64]. Table 3 indicates a mean VIF of 1.606, which is significantly less than the threshold of ten. Additionally, the individual variables' VIFs are relatively small, supporting the earlier assumption that the model's explanatory variables do not exhibit a substantial correlation.

Table 3.
VIF Of the explanatory variables.

Variable	VIF	1/VIF
ROA	2.242	0.446
EPS	2.231	0.448
S	1.755	0.57
CF	1.739	0.575
LD	1.736	0.576
IO	1.554	0.644
OD	1.508	0.663
Lev	1.439	0.695
CR	1.289	0.776
GR	1.124	0.89
R	1.053	0.95
Mean VIF	1.606	-

4.3. Normality Test

The normality statement in the regression assumes that prediction errors follow a normal distribution. Several tests can be employed to verify this assumption, including the skewness–kurtosis test, Shapiro-Wilk test, Shapiro-Francia test, QQ plot of residuals, and Bera-Jarque statistics [65]. This study used skewness and kurtosis. This test evaluates whether a sample is derived from a population

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with a normal distribution. The outcomes in Table 4 indicate a p-value of 0.62, above 0.05, indicating that the normality hypothesis is satisfied.

Table 4.
Normality test.

Variable	Obs.	Pr(Skewness)	Pr(Kurtosis)	Adj.	Chi2(2)	Prob>Chi2
Residual	203	0.375	0.677	0.970	0.616	0.6248

4.4. Multicollinearity Test

The goal of this analysis is to ascertain the degree to which the variables in the multiple regression model exhibit high correlations or multi-collinearity. Pearson's correlation test was employed to evaluate the regression model to guarantee that there were no solid associations between independent variables. A high level of association was defined as a rate of more than 80%. This can distort the link between one of the two independent variables (Gujarati, 2009), as presented in Table 5.

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Table 5.
Person test.

Variables	DPS	EPS	CF	GR	IO	R	ROA	OD	S	Lev	CR	LD
DPS	1.000											
EPS	0.623	1.000										
CF	0.295	0.142	1.000									
GR	0.108	0.127	-0.043	1.000								
IO	0.244	0.279	0.018	0.280	1.000							
R	-0.061	-0.029	0.156	0.043	0.010	1.000						
ROA	0.256	0.654	0.033	0.137	0.466	-0.011	1.000					
OD	-0.063	0.046	-0.068	-0.032	0.054	0.052	0.025	1.000				
S	0.343	0.172	0.119	0.086	0.251	0.010	0.063	0.526	1.000			
Lev	-0.046	-0.202	-0.043	-0.016	-0.197	-0.069	-0.199	-0.036	0.139	1.000		
CR	0.083	0.067	0.061	-0.012	0.052	0.059	0.059	0.017	-0.134	-0.451	1.000	
LD	0.195	0.191	-0.529	-0.022	0.072	-0.035	0.039	0.149	0.103	0.072	0.007	1.000

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Table 5 indicates that the highest correlation value was (.62) between the (FL) and (B), which is less than 80%, indicating that there is no interference between the independent study variables.

4.5. Hausman Test

Given that this study employs panel data analysis, it offers a choice between two-panel estimator approaches: fixed effects models (FEM) and random effects models (REM) [66]. A Hausman test was conducted to determine whether individual effects are fixed or random, as shown in Table (6), which shows that the chi-square statistic was (75.804) with significant significance at the 1% level. Therefore, the optimal choice is to use a random-effects model.

Table 6.
Hausman test.

	Coef.
Chi-square test value	75.804
P-value	0

4.6. Regression Results in Random

The Random Effect model results are listed in Table (7). This study examines these hypotheses and determines the effect of the predictor variables (Lagged Dividends, Growth, Cash Flow, Company Size, Leverage, Current Ratio, Ownership Dispersion, ROA, Earnings Per Share, and Risk) on the predicted variable DPS. The outcomes were as follows:

Table 7.
Random effect model.

DPS	Coef.	St. err.	t-value	p-value	[95% Conf.	Interval]	Sig.
EPS	2.345	0.384	6.11	0	1.593	3.097	***
CF	1.459	0.562	2.59	0.009	0.356	2.561	***
GR	0.249	0.265	0.94	0.347	-.27	0.768	
IO	0.518	0.85	0.61	0.542	-1.149	2.185	
R	-0.157	0.23	-0.68	0.494	-0.608	0.294	
ROA	-1.28	0.878	-1.46	0.145	-3.001	0.441	
OD	-0.636	0.206	-3.09	0.002	-1.039	-0.233	***
S	1.703	0.429	3.97	0	0.862	2.544	***
Lev	-0.109	0.211	-0.52	0.604	-0.523	0.304	
CR	0.006	0.023	0.24	0.809	-0.04	0.051	
LD	1.124	0.534	2.10	0.035	0.076	2.171	**
Constant	-10.71	3.388	-3.16	0.002	-17.35	-4.069	***
Mean dependent var		-5.381		SD dependent var		3.084	
Overall r-squared		0.585		Number of obs.		203	
Chi-square		100.947		Prob > chi2		0.000	
R-squared within		0.065		R-squared between		0.751	

Note: *** p<0.01, ** p<0.05, * p<0.

5. Results and Discussion

The random effects model in Table 7 aims to explore the factors prompting dividend payouts by incorporating additional variables. Random individual effects regression techniques were employed to assess the significance of EPS, CF, Lev, GR, IO, S, CR, OD, R, ROA, and LD as dividend payment determinants. The random effects model presents the findings.

The outcomes in Table 7 demonstrate the random effects model, which exhibits better efficiency in assessing the regression outcomes, with an advanced regression fit of 75% and a significant P-value of F (0.0000). The regression outcome analysis will focus on this model because the random effects model is favored based on the Hausman test results. Consistent with expectations, the results indicate a favorable

association between (EPS, CF, S, and LD) and dividend payout ratios (DPS), but a statistically negative association between OD and DPS. None of the other variables in the regression analysis is statistically significant, suggesting that they do not significantly influence dividend payments in Palestinian companies.

This study examines the DP factors of 29 listed companies in Palestine between 2015 and 2021. The results predicted a noteworthy positive correlation of 1% and 5% between the payout ratio and cash flow, earnings per share, company size, and lagged dividends among the various other variables, which aligns with the findings of [67] had similar results. The findings suggest that a structured dividend policy should be included in a company's disclosures because it could provide investors and management with a clear roadmap. These findings align with those of [40] who found a positive association between cash flows and payouts, which supports the agency cost argument. Regarding the study by [8, 42], their findings revealed that the company's size has a significant favorable influence on the DP, and the enormous positive effect indicates that large firm size tends to tighten dividend policy. Moreover, [68] shows that cash flow and firm size do not provide active coordination in determining dividend policies. A study by [54] supported the idea that delayed payouts affect DP because past payouts serve as a proxy for present DP, but they did not address this specific issue. While a study by [69] concluded that ownership dispersion has a favorable effect on DP. However, [11] showed that dividend policy and ownership dispersion have a favorable relationship.

[14] found that EPS influences the dividend policy of listed firms in Kenya. So, the higher the EPS, the higher the DP. [16] finds a favorable association between EPS and DPS for listed firms in Kenya between 2000 and 2004, except for firms in the financial sector. [70] examined the effect of profitability on DP. The results show that DP is not affected by firms' profitability. Moreover, [14] found that leverage does not influence the dividend policy in Kenya. As for study by [71] showed a link between lower dividend payouts and firm growth. While the study by [40] indicates that business risk positively affects dividend policies.

6. Conclusion

This study's findings indicate a positive significant correlation for the variables (EPS, CF, S, and LD). At the same time, OD has a negative significant correlation. The conclusions can produce a DP that puts investor interest first while reducing confusion and luring or retaining investors in the Palestinian market. The result furnishes the literature with several practical and theoretical implications.

6.1. Practical and theoretical Implications

One of the main practical implications is that the findings of this study would furnish investors with the information needed to make more informed investment decisions. Additionally, Palestinian firms can evaluate and adjust their DP based on the observed relationship between profitability and other variables to optimize financial performance, and companies should disclose their DP clearly; this ensures the asymmetry of information among various stakeholders. Policymakers and regulators, on the other hand, should develop clear regulations for DP to mitigate any attempt to disguise performance in dividends.

On the other hand, the theoretical contribution can be summarized in 1- positive correlation of EPS and CF and DPS aligns with the agency theory since higher earnings and cash flow increase the ability of firms to pay dividends, accounting for signaling financial health and reducing agency cost. 2- The positive correlation of CF and DPS supports the pecking order theory, where firms prefer internal financing, implying that higher cash flow leads to higher DPS. 3- The positive correlation between S and DPS aligns with information asymmetry, where larger firms have better access to information; this information becomes actions packed with the board's direction, leading to more stable DPS. 4 – The positive correlation of LD and EPS with DPS aligns with the signaling theory, indicating firms use dividend changes to signal positive information about future and firms financial health.

6.2. Future Research

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This study's approach can be broadened to include more factors affecting DP, while providing a unique perspective on Palestine's dividend policy. In addition, understanding cultural norms is essential because the study's limits are complicated and contain restrictions tied to certain socioeconomic and political circumstances. Additionally, the sample size for the Palestinian market was limited, which may diminish the statistical power and impact how broadly the conclusions can be applied. Furthermore, this study focuses on public Palestinian companies and does not include financial companies, which is another limitation of its applicability to Palestine. Another limitation related to the observations is that more research should be conducted to subdivide the observations into sectoral categories, which could strengthen the explanatory impact of the dependent variable on dividend policy.

6.3. Study Limitations

The study proposed expanding the observation time to obtain more thorough information and look beyond the financial institutions listed on the Palestinian Stock Exchange. For future research, it is also advised to look at additional financial factors, such as ownership structure. There are also recommendations for additional indicators for each variable, which further enhances the research. Therefore, the results should serve as information for deciding which indicators should be monitored and to what extent they are controlled. Investors are advised to analyze the financial situation and estimate the financial burden associated with companies.

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