Determinants of Dividend Policy

The case of Jordanian Companies

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Abstract
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This study aims to investigate the issue of dividend policy, and corporate performance. In addition this study tests the stability of dividend policy through a case study of the Jordanian companies listed in Amman Stock Exchange. Firms were selected based on the criterion that the firms should distribute dividends for at least five years in the analysis period from (1994-2003), this criterion lead to the selection of (55) firms.

The study uses regression analysis technique to investigate the determinants of the dividend policy. The study uses dividend per share as dependent variable, and tangibility debt to equity ratio, market to book ratio, size, profitability, business risk, and liquidity as independent variables.

The second model investigates the stability of dividend policy by using Lintner's model.

The study finds significant positive relationship between profitability, market to book ratio, debt to equity, and the dividend per share, also a significant negative relationship appears between debt to
equity ratio and dividend per share, whereas in the second model the study finds that dividends are stable in the Jordanian companies.

Based on our results, the study recommends that further research about the dividends policy should be conducted which helps understand the dividend policy theories, also an investigation in the determinants of dividends policy of the Jordanian companies using other indicators to reflect different theories that are not investigated in this study.

Studying the determinants of dividend policy of the companies which are listed in other Arab Stock Markets and compare them with Amman Stock Market.