Dividend Payout, Earnings and Size in Banking Sector: Evidence from Kuwait

Dr. Abdullah AL-Mutairi ✳

Dr. Husain AL-Omar ✳

Abstract

Researchers have been puzzled by the distribution of cash and stock dividends, the puzzle stems from the fact that effective tax on cash dividends is higher than that on capital gains, while stock dividends will not affect shareholders wealth as it is merely a capitalization of reserves. Several theories have been introduced to resolve this puzzle. The current study differs from those done on tax based economies due to the fact that in Kuwait there is no tax on dividends or capital gains, thus the tax related issue does not apply and accordingly a clearer insight on the determinants of cash dividends might be reached.

The results of this study show a significant impact of profitability, stock dividends, size, and lagged cash dividends, where profitability, size, and lagged cash dividends have positive effect, while stock dividends, has a negative effect. However, the results indicate that the variation in cash dividends is mainly determined by variation in profitability and last year cash dividends. The introduction of stock dividends did not significantly increase the explanatory power of the model, nor did the introduction of size implying that despite their statistical significance, these variables have a limited effect on dividend policy by the sample banks. Accordingly, it might be argued that these results are in support of Lintner's smoothing hypothesis.

✳ **Kuwait Municipality**
✳ **Business Dept. and Economics Dept. , College of Business Studies**

الأرباح الموزعة، العوائد وحجم المشروع
في قطاع البنوك: حالة الكويت

د. عبدالله المطيري

د. حسين العمر

ملخص

حظي موضوع سياسات توزيع الأرباح باهتمام وتباين كبير في وجهات النظر وذلك في إطار ما أطلق عليه "لغز الأرباح الموزعة"، ذلك أن ارتفاع نسبة الضريبة على الأرباح الموزعة عنها على المكاسب الرأسمالية يجعل من توزيع الأرباح أمرا غير منطقي. لذلك فقد ظهرت نظريات متنافسة لتفسير سبب قيام الشركات بتوزيع الأرباح. وتتميز الدراسة الحالية كونها تطبق على حالة لا توجد فيها ضرائب على الأرباح الموزعة أو المكاسب الرأسمالية مما قد يساهم في التوصل إلى نتائج أكثر وضوحا حول موضوع سياسات توزيع الأرباح بعيدا عن إشكالية الضرائب.

وتشير نتائج الدراسة إلى أن توزيعات الأرباح النقدية تتأثر طرديا بكل من العائد على السهم، إجمالي الأصول، والتوزيعات النقدية للفترة السابقة، في حين تتأثر عكسيا بتوزيعات أسهم المنحة. إلا أن العائد على السهم والتوزيعات النقدية للفترة السابقة هما الأكثر أهمية في التأثير على سلوك التوزيعات النقدية وأن المتغيرات الأخرى رغم معنويتها الإحصائية ذات تأثير محدود، حيث أن إضافتها لم يترتب عليها زيادة هامة في القوة التفسيرية للنموذج. وعليه يمكن القول أن نموذج "لنتنر" يمثل النموذج المناسب لتفسير سياسات توزيع أرباح قطاع البنوك بدولة الكويت.

٭ بلدية الكويت

٭ قسم الإدارة وقسم الاقتصاد، كلية الدراسات التجارية، دولة الكويت

1. Introduction

Although the dividend policy of publicly listed firms has been a subject of considerable theoretical and empirical research, the decision to distribute dividends is still a puzzle for modern finance. The main issue in this debate is that since dividends are subject to higher tax rates than capital gains, then why firms and investors prefer the former.

Accordingly, the purpose of this study is to examine the relationship between dividend distribution and the attributes of listed commercial banks in Kuwait Stock Exchange (KSE), as an example of an emerging stock exchange where there is no tax paid on dividend or capital gains. This might help in clarifying the issue of dividends distribution away from tax related puzzle.

The following sections of the study are a brief review of related literature followed by previous studies, and an overview of Kuwaiti banks. The fifth section presents the data and its properties, the model and the empirical results are offered in section six, and the paper ends with a conclusion.

2. Related Literature

Despite the Miller and Modigliani (1961) argument that the firm's value is determined only by its basic earning power and its business risk not by dividends payout, the issue of why firms distribute dividends is still a matter of dispute at both theoretical and empirical levels. The literature on cash dividends takes two routes, the first concentrates on the relation between dividends and stock price, while the second emphasizes the factors affecting the decision to distribute dividends and the variation in their magnitude. According to Lintner's (1956), dividend payout depends heavily upon current earnings and pervious dividends. Although earning has been proposed as one of the factors that explains dividend policy decision, the portion of earnings that is distributed to shareholders is adversely affected by the firm's liquidity needs and future capital expenditure among other things; accordingly, dividend policy is expected to differ among firms and through time.

Finance literature has shown many reasons of paying dividends which is still one of the finance puzzles called "dividend puzzle" (Black, 1976). However, the explanation of dividend distribution is based on two main arguments; one is related to the management's attitudes to the dividend distributions while the other is related to the investor's attitudes.

For management, two hypotheses are introduced namely information asymmetries and socioeconomic issues. It is appeared that decision maker of dividend policy is forced by more than one goal and there is no single explanation of dividends (Brook et al., 1998). The first hypothesis is information asymmetry which consists of the effect of signalling, agency cost, and free cash flow. The signalling effect assumes that firm pays dividend as a signal to investor about firm's future prospects (Baker and Powell, 1999). There is a belief that managers only raise their dividend when future earnings are expected to increase and there is an expectation of good times. Therefore, dividends serve to investors as signal about the firm's current and future performance. In order to serve the dividend as a signal, dividend should provide the market with the useful information, which can not be conveyed by alternative forms of communication (Zeng, 2003). Thus, the favourable signal will affect firm market value and achieve higher market price for the firm's stocks. Although the literature provides little evidence that dividend changes predict increase in earnings (Benartzi et al., 1997),

Lintner (1956) pointed out that dividend is used as signal of its earning quality. He argued that the firm's value decreases as the dividend payout increases because investors are less certain of receiving the capital gains, which are supposed to result from retaining earnings than they are of receiving dividend payment.

The effect of agency cost assumes that firm is likely to distribute cash dividends to avoid the conflict that exists between management and shareholders due to the separation of management and ownership (Jensen and Meckling, 1976). If there is not sufficient cash flow, this would force firm to look for external sources of finance in order to be subject to the scrutiny of a third part (Partington, 1985). There is an argument that monitoring by outside suppliers of capital force managers to act to the best interest of outside shareholders (Rozeff, 1982 and Easterbrook, 1984). Hence dividends contribute to reduce the effect of agency costs from three angles. First, they put pressure on management to make sure it generates enough earnings to be able to pay out the dividends. Second, they may force managers to rise outside funds to finance their projects. Investors find this process desirable because they are able to observe the terms on which new funds are raised, and perhaps the identity of the new suppliers of funds. Third, they reduce the amount of free cash flow that managers can waste on unprofitable investment projects.

The effect of free cash flow assumes that management is likely to distribute dividend when there is excess funds that it has no way to reinvest, in an attempt to reduce free cash flow, eliminate wasteful investment projects, and satisfy shareholders. The free cash flow may be used as an indicator for a favourable level of firms' liquidity and leverage, which encourage management to pay high dividend payments. Therefore, free cash flow is developed to promote managers to clear the cash rather than investing it at below the cost of capital, or wasting it on managerial issues. Jensen (1986) stated that firm is likely to distribute dividends from the free cash flow since it might overcome the cash available for spending at the discretion of management. As results, it provides a defence to the firm against management that might benefit itself from the available cash flow. The literature provides a positive relationship between the increase of firm growth opportunities and the decrease of managerial actions (Gaver and Gaver, 1993).

The second hypothesis refers to the socioeconomic variables. It might reflect the attitudes of firms' managers to the dividend distribution. Managers might distribute dividends in response to the actions of competitive firms. Moreover, managers might be influenced by the stockholders' expectation regarding dividends. Therefore, they may pay dividends to appease investors if they found that shareholders prefer dividends.

For investor, two hypotheses are introduced namely the bird-in-the-hand and the tax effect. The bird-in-the-hand hypothesis assumes that investors think dividends represent a sure thing for shareholder as compared to capital gains; therefore, they prefer dividends (Lintner, 1956). Pettit (1977) called such kind of investor behaviour as a clientele-effect who prefers high payout stocks. Therefore, management is likely to pay dividend as an attempt to satisfy the shareholders desire and to maintain their loyalty.

The tax effect hypothesis assumes that the higher rate of taxation on dividends relative to capital gains has a negative impact on high-dividend stock prices. Thus investors avoid high-dividend stock in general. However, investors seem to stick with firms that have dividend policies appropriate to their particular tax circumstance.

3. Previous Studies

Number of studies has been conducted to examine the factors behind affecting dividend distribution. They are shown that firm is influenced by its attributes in paying dividend. The firm's attributes includes profitability (Fama and Babiak, 1968 and Baker et al., 1985); risk (Pruitt and Gitman, 1991); agency cost (Jensen and Meckling, 1976; Rozeff, 1982 and Easterbrook, 1984) expected future earnings and past dividends (Lintner, 1956; Baker and Powell, 1999, Naceur et al., 2006 and Ariotis et al., 2007); cash flow (Alli et al., 1993); dividend stability (Kevin, 1992 and Omet, 2004) and firm size (Zeng, 2003 and Al-Malkawi, 2007).

Profit has been observed as a main indicator of a firm's capacity to pay dividends. Lintner (1956) examined the factors behind distributing dividends of 28 firms for the period of 1947-1953. He found that dividend relied heavily on the firm's current earnings and previous year dividend. This finding is confirmed by Fama and Babiak (1968) who found that net income seems to provide a better measure of dividend than cash flow. These findings are consistent with others such as (Baker et al., 1985; Pruitt and Gitman, 1991 and Alli et al., 1993). Kevin (1992) argued that dividend stability is more important than the profitability itself in determining dividend distribution. Naceur et al., (2006) examined the dividend policy of 48 firms listed on the Tunisian Stock Exchange during the period 1996-2002 and found that Tunisian firms rely on both current earnings and past dividends to fix their dividend payment. However, they showed that dividends tend to be more sensitive to current earnings than prior dividends. However, Ariotis et al., (2007) examined the dividend policy of Greece banks during the period 1997-2001 and provide evidence that last year dividends of Greece banks are unrelated with the current dividends.

Pruitt and Gitman (1991) found that risk which represents the variability of earnings from year-to-year is considered a major factor in determining the firms' dividend policy. They found negative relationship between variability of earnings and the dividend payout. They showed that the firm's ability to predict appropriately to its future dividend when it has stable earnings. Pruitt and Gitman reported that firms with high level of market risk are likely to pay fewer dividends. In addition, there is a negative relationship between the firm's growth and paying dividend since growing firms are likely to be less dividend due to their need for finance their working capital that are normally exceed the incremental cash flows from new sales.

Jensen and Meckling (1976) proposed an agency cost effect to explain the dividend payout. They pointed out that agency cost arises when there is a suspect that management serves its own interests not the shareholders. They found that managers prefer to be observed by outside experts rather than shareholders. Therefore, they tend to pay dividends. These findings are on line with the findings of others such as Rozeff, 1982; Easterbrook, 1984 and Collins et al., 1996.

Omet (2004) examined the dividend policy behaviour of firms listed on the Jordanian capital market during the time period 1985-1999. He found that Jordanian firms follow stable cash dividend policies. Moreover, Al-Malkawi (2007) provided evidence that the firm size and profitability are the main factors being determining the corporate dividend policy in Jordan. This finding is consistent with the finding of Kowalewski et al., (2007) for 110 non-financial listed companies on Warsaw Stock Exchange.

Concerning the Gulf Co-operation Council (GCC) studies, there are few published studies

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examined the dividend policy. Al-Deehani and Al-Loughani (2004) used questionnaire survey as a tool to investigate the residual dividend model through the analysis of the relationship between dividend policy and financing decisions. They found that listed firms in KSE have become less likely to pay cash dividends. Al-Deehani et al., (2005) argue that change in cash flow and change in investment are two explanatory variables of dividend change added to Lintner's model that confirmed the earnings and previous dividend. Furthermore, Bouresli and Abdulsalam (2005) examined the non-financial institutions and found that due to the absence of tax advantage of debt in Kuwait, earnings are the main determination of dividend payout decision.

The only published study which examined the dividend policy of banking sector on the GCC markets by Naser et al., (2004). They used all listed banks in the GCC stock markets during the period from 1995 to 2000. They provided evidence that dividend payout ratio is influenced by the profit and the bank's size.

These studies, in general, tried to explain the dividend behaviour over time with the help of past dividends, earnings and size. But none of the studies in the GCC case, tried to explain the behaviour of pay-outs of banking sector in one particular country, which we think a key factor for the differences among dividend pay out policy across firms. In view of these facts, the present study aims to examine the Lintner model and to identify other factors influencing dividend distribution of banking sector in Kuwait which represents different environment, face different risks than non-financial institutions and its liabilities are mostly short-term and are payable on demand.

4. An overview of Kuwaiti Banks

The banking sector in Kuwait consists of seven traditional banks, two Islamic banks, and one specialized bank. The study sample consists of the following seven listed traditional banks: National Bank of Kuwait (N), Commercial Bank of Kuwait (C), Gulf Bank (G), Al-Ahli Bank of Kuwait (A), Bank of Kuwait and the Middle East (B), Burgan Bank (BB), and Kuwait Real Estate Bank (K). This group, which captures 79% of total assets of the banking sector, has witnessed significant increase in both assets and profits during the period from 1980 to 2004 as table (1) shows. Total assets of the sample banks increased from 5.8 billion KD in 1980 to 15.6 billion KD in 2004, while profits increased from 39 million KD in 1980 to 390 million KD in 2004. This indicates an improvement in operational efficiency as profits grew by an average annual rate of 14% compared with a 4.7% average annual increase of assets.

Concerning the behavior of earnings per share (EPS), cash dividend (CD), and stock dividend per share (SD), table (2) shows that the sample banks distribute both cash and stock dividend, however, the later has been declining over time while the former is increasing, as figure (1) shows. This trend might reflect the decline in capital expenditure needs of these banks. The percentage of CD out of EPS has been increasing on average for the whole sector from 45.4% during the eighties to 67% during the nineties to 77% during the period from 2000 to 2004. However, this percentage has been fluctuating from a low of 26% in 1984 to a high of 88% in 1987. This trend is in line with the agency cost theory as firms distribute an increasing portion of their profits. In general, the percentage of CD out of EPS for the sector is the higher on average and more stable than that of the other sectors in the market.

Turning to the stock market performance of the banking sector, table (3) shows that the banking

sector was the dominant in terms of volume during the eighties, however, this dominance declined significantly afterwards. The contribution of the banking sector to both the volume and the value of traded shares declined from 45% and 74% respectively in 1985 to 7% and 10% in 2004 in favour of investment companies sector.

5. The Model and Data Properties

The study will examine the relationship between cash dividend per share (CD), and the following four variables: earnings per share (EPS) as a measure of profitability, stock dividend per share (SD) as a substitute for cash dividend, firm's age (Y) as a proxy for maturity, and total assets (TA) as a proxy for firm size, for the seven Kuwaiti banks. Yearly data covering the period from 1980 to 2004 is used in order to track the development of this relation over a long time span. The data was obtained from KSE and Kuwait Institute for Banking Studies (IBS) publications.

5.1. The Model
The relation will be tested using the following general model:

$$CD_t = \beta_0 + \beta_1 \, EPS_t + \beta_2 \, SD_t + \beta_3 \, TA_t + \beta_4 \, Y_t + \beta_5 CD_{t-1} + e \quad (1)$$

This model captures the main determinants of cash dividends sited by the relevant literature as discussed earlier. It is expected that cash dividends will be positively affected by profitability (EPS), banks' size (TA), banks' age (Y), and last year cash dividend (CD_{t-1}); while stock dividends (SD) are expected to negatively affect cash dividends.

5.2. Stationarity Test
To avoid the problem of spurious regression, the variables are first tested for stationarity to ensure that all variables are stationary and are integrated of the same order. Therefore, Augmented Dickey-Fuller (ADF) and Phillips-Perron tests are used to test for stationarity of the variables. The results as shown in tables (4) and (5) are mixed especially for firm's age and total assets, therefore, the study will assume that all variables are first difference stationary except for firm's age which is stationary in its level. Accordingly, the results indicate the possibility of long-run relation between cash dividends and the other vaiables except for firm's age.

5.3. Cointegration Test
Based on stationarity test results, the next step is to test for possible long-run equilibrium relation between the dependent variable and the independent variables, except for firm's age, using the cointegration test developed by Johansen (1991). The test was conducted assuming linear deterministic trend in the data, the results in table (6) indicate the existence of cointegration among the variables, and thus the existence of a stable long run relation between cash dividend and the explanatory variables used in this study for the sample banks.

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6. Empirical Results

Pooled data estimation is applied to the whole sample using the previous general model. Now, since the variables used in this study are found to be integrated of the same order and cointegrated, then the previous model is estimated using the variables in their log level form in order to capture the long-run properties of the relationship between the dependent variable and the explanatory variables. Three models regressions were conducted the first one using EPS and last year CD, the second added SD to the model, and the last one used all the variables. The purpose of this was to assess the explanatory power of these variables.

The results, as shown in table (7), indicate that profits measured by earning per share (EPS), firm size proxied by its total assets(TA), and last year cash dividends (CD_{t-1}), all have a positive significant effect on cash dividends, while stock dividends (SD) has a negative significant effect. The positive impact of EPS is expected as higher profits will result in higher CD; on the other hand, the significant impact of TA indicates that firm size does play a role in dividend policy as larger banks tend to distribute higher cash dividends. The negative impact of SD indicates that CD and SD are substitutes in the dividend policy decision by the sample banks, a result that might reflect investors' preferences toward those two alternatives. In fact, the absence of taxes in Kuwait may make cash dividends, stock dividends, and capital gains acceptable substitutes for investors. In addition, the positive effect of lagged CD indicates that banks do take into account last period CD in deciding current CD, thus supporting the smoothing hypothesis.

However, the results indicate that the variation in CD is mainly determined by variation in EPS and last year CD, a result in line with the smoothing theory (Lintner, 1956). The introduction of SD did not significantly increase the explanatory power of the model, nor did the introduction of TA, implying that despite their statistical significance, those variables have a limited effect on dividend policy by the sample banks.

To check for possible change in the nature of this relation between the period before the Iraqi invasion and after the liberation, the model was retested by dividing the sample into two periods, the first is from 1980 to 1990, and the second is from 1991 to 2004. The results, as shown in tables 8 and 9, indicate that the relation between cash dividends per share and the explanatory variables in the second period is slightly stronger with stock dividends become significant. Therefore, it might be argued that this relation has become stronger during the post liberation period.

Now, concentrating on Lintner's model it is clear that during the first period the sample banks are not reluctant to cut dividends as indicated by the significantly negative constant, and that a relatively high proportion of changes in earnings is directly reflected in cash dividends, and finally, that dividends are not stable during this period and consequently are not smoothed, as indicated by the relatively high speed of adjustment ($1-\beta5$) which equals 0.7.

The results however, changed significantly during the second period as the constant term becomes positive indicating that banks no longer prefer to cut dividends, the sharp decline in the proportion of changes in earnings reflected in cash dividends, and the significant decline in the speed of adjustment to 0.53 indicating that the sample banks change there policy in favour of dividend smoothing.

These results are in line with the speed of adjustment estimated by other studies on other

countries such as the 0.52 obtained by (Omet ,2004) for Jordan, the 0.66 reported by (Stacescu ,2004) for Switzerland, and the 0.71 estimated by (Pandey and Bhat ,2004) for India.

7. Conclusion

This study has attempted to understand the factors affecting dividend policy for Kuwaiti banks. For this purpose, annual data for cash dividend, stock dividend, earning per share and total assets covering the period from 1980 to 2004 are used for a sample of seven banks. The data are first tested for stationarity and cointegration; the results indicate that the variables for the sample banks are first difference stationary except for firm's age which was stationary in its level. Concerning cointegration, the results show the existence of cointegration among the variables. The study then turns to estimate a pooled data model using the variables in their level. The results show a significant impact of EPS, SD, TA, and lagged CD, where EPS, TA, and lagged CD have positive effect, while SD has a negative effect on CD. Therefore, dividend policy of the sample is affected by profitability measured by EPS, firm size measured by TA, stock dividend, and last year CD. The last variable may capture the tendency to maintain a stable CD. However, it may be argued that EPS and last year CD are the main factors explaining the behavior of CD in the case of the Kuwaiti banks, and thus Lintner's Model is the best to explain dividend policy in this case.

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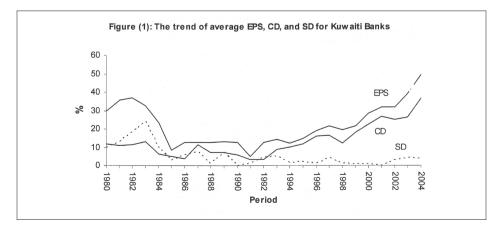
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Table (1) : Banks Total Assets and Net Profits 1980-2004 (in million KD)

Banks	TA					NP				
	1980	1990	2000	2004	Average Growth	1980	1990	2000	2004	Average Growth
A	1021	1629	1152	1705	2.8	4	3.2	10.2	27.2	24.2
B	550	922	1032	1754	9.1	3.5	6	14.3	22.8	23.0
BB	409	1126	1132	1738	13.5	1.9	4.6	20	29.6	60.7
C	1005	1628	1544	1825	3.4	7.4	3.9	30	62.3	30.9
G	1168	1531	1653	2286	4.0	5.8	6.2	35.4	74.6	49.4
K	310	463	646	736	5.7	4.1	4.3	4.3	23.5	19.7
N	1373	3377	4093	5573	12.7	12.5	37.3	100	150	45.8
Total	5839	10676	11254	15619	7.0	39.3	65.5	214.3	390	37.2

Table (2) : Banks Profitability and Dividends ,Period average (in Fills except SD)

Banks	1980-1989			1990-1999			2000-2004		
	EPS	CD	SD	EPS	CD	SD	EPS	CD	SD
A	23.5	7.3	9.2%	6.6	2.1	1.9%	21.9	15.2	0.8%
B	22.8	6.8	10.7%	9.2	4.2	1.6%	23.4	13.0	0.0%
BB	13.2	2.8	7.8%	10.8	5.9	1.6%	26.2	17.0	3.0%
C	24.7	8.0	8.6%	11.3	4.3	2.0%	42.4	33.0	0.0%
G	24.2	8.3	12.1%	26.6	18.6	2.3%	61.2	46.2	1.0%
K	24.8	9.8	6.3%	9.9	5.9	2.5%	26.0	10.6	9.4%
N	45.0	18.6	15.7%	43.7	34.1	4.0%	78.2	58.4	2.0%

Figure (1): The trend of average EPS, CD, and SD for Kuwaiti Banks

Table (3) : Banks stock market performance (in millions except Index)

Year	Banks			Market		
	Volume	Value	Price Index	Volume	Value	Price Index
1980	47.6	n.a	n.a	143.7	n.a	n.a
1985	18.9	83	n.a	42.2	111.5	n.a
1990	359	211	n.a	754	260	n.a
1995	2,859	754	1296.8	9,055	1,908	1005.1
2000	1,157	365	1684.4	6,758	1,290	1348.1
2001	3,326	1,140	2513.2	16,300	3,581	1709.4
2002	3,631	1,619	3271.2	27,837	6,680	2375.3
2003	4,088	2,323	4662.9	49,563	16,250	4790.2
2004	2,339	1,529	5199.2	33,536	15,274	6409.5

Table (4) : Dickey-Fuller Test

Banks	LEVEL					1ST DEFFERENCE					2nd DEFFERENCE				
	CD	SD	EPS	Y	TA	CD	SD	EPS	Y	TA	CD	SD	EPS	Y	TA
A	-1.39	-2.5	-2.5	-3.9*	-1.3	-3.7*	-5.1*	-3.6**	-	-3.8*	-	-	-		-
B	-2.4	-1.7	-2.6	-23.1*	-0.6	-4.4*	-4.7*	-3.3**	-	-3.9*	-	-	-		-
BB	-1.5	-2.5	-2.6	-2.8	-1.5	-4.9*	-6.02*	-4.7*	-3.4**	-2.3	-	-	-	-	-
C	-2.2	-2.9	-2.8	-3.6**	-2.09	-6.3*	-7.1*	-4.7*	-	-3.2**	-	-	-	-	-
G	-1.3	-2.1	-1.9	-3.6**	-2.3	-3.8*	-5.2*	-3.2**	-	-3.3**	-	-	-	-	-
K	-3.2**	-2.5	-2.9	-20.5*	-1.08	-4.5*	-4.2*	-4.7*	-	-2.5	-	-	-	-	-3.7*
N	-0.4	-1.8	-2.3	-46.3*	-1.1	-4.5*	-4.6	-4.2*	-	-3.7*	-	-	-	-	-

- significant at 1% ; ** significant at 5%.

Table (5) : Phillips-Perron Test

Banks	LEVEL					1ST DEFFERENCE				
	CD	SD	EPS	Y	TA	CD	SD	EPS	Y	TA
A	-2.3	-3.6**	-2.4	-9.1*	-10.7*	-7.3*	-9.2*	-4.5*	-	-
B	-2.5	-2.6	-3.5**	-18.6*	-18.6*	-5.4*	-8.8*	-7.8*	-	-
BB	-2.9	-5.1*	-4.8*	-11*	-11*	-9.2*	-	-	-	-
C	-2.3	-3.6**	-3.5**	-6.6*	-6.6*	-6.2*	-9.3*	-6.7*	-	-
G	-1.3	-2.5	-3.7*	-6.6*	-6.6*	-4.6*	-7.3*	-	-	-
K	-2.8	-3.1**	-2.8	-16.4*	-16.4*	-4.5*	-6.8*	-5.2*	-	-
N	-0.3	-2.2	0.3	-38.2*	-38.2*	-7.01*	-7.1*	-3.2**	-	-

* significant at 1% ; ** significant at 5%.

Table (6) : Cointegration Results

	# Of C.E's	Likelihood Ratio
A	1	65.7**
B	1	67.6**
BB	1	67.6**
C	1	66.1**
G	2	101.5*
K	1	63.9**
N	1	68.5**

*significant at 1% level , **significant at 5% level

Table(7) : Pooled Regression Results for the entire period

	C	EPS	SD	TA	CD_{t-1}	R^2	F	DW
β	0.17	0.33	-	-	0.47	0.61	133*	2.2
(t)	1.1	7.5*	-	-	7*			
β	0.26	0.37	-0.12	-	0.44	0.62	93.3*	2.2
(t)	1.7***	7.4*	-2.6*	-	6.7*			
β	-5.9	0.36	-0.13	0.30	0.38	0.63	74.4*	2.2
(t)	-2.8*	7.5*	-2.9*	2.9*	5.2*			

significant at 1% level , **significant at 5% level, *** significant at 10% level. (t) = t- statistic

Table(8) : Pooled Regression Results for the period 1980-1990

	C	EPS	SD	TA	CD$_{t-1}$	R²	F	DW
β	-0.61	0.62	-	-	0.3	0.56	44.9*	2.1
(t)	-2.71*	7.29*	-	-	2.05**			
β	-0.58	0.51	0.11	-	0.35	0.57	31.1*	1.9
(t)	-2.4*	4.3*	1.6	-	2.4*			
β	-6.4	0.57	0.07	0.28	0.29	0.58	25.07*	2.04
(t)	-2.1**	5.1*	1.04	1.9**	1.9**			

Table(9) : Pooled Regression Results for the period 1991-2004

	C	EPS	SD	TA	CD$_{t-1}$	R²	F	DW
β	0.39	0.34	-	-	0.47	0.68	104.7*	2.5
(t)	2.3*	8.09*	-	-	6.3*			
β	0.55	0.38	-0.29	-	0.42	0.71	81.6*	2.2
(t)	3.4*	8.7*	-3.7*	-	6.3*			
β	-5.5	0.37	-0.29	0.30	0.35	0.72	64.2*	2.19
(t)	-2.2**	9.3*	-3.8*	2.4*	4.3*			

significant at 1% level , **significant at 5% level.   (t) = t- statistic