

Analyzing the Influence of Dividends on Share Prices in the Iraqi Stock Market from (2010 - 2020)

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Article History

Received: 2024-01-13

Revised: 2024-01-25

Accepted: 2024-01-28

Published: 2024-01-30

Keywords

dividends, emerging markets, financial analysis, Iraq Stock Exchange, stock prices.

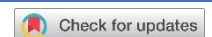
Citation: Sabri, H. A., Salih, B. M., & Omar, H. M. (2024). Analyzing the Influence of Dividends on Share Prices in the Iraqi Stock Market from (2010 - 2020). *Ascarya: Journal of Islamic Science, Culture, and Social Studies*, 4(1), 43–54.
<https://doi.org/10.53754/iscs.v4i1.665>.
Academic Editor: Kususiyah, Anjar



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This study examines the relationship between dividend policies and stock prices among companies listed on the Iraq Stock Exchange from 2010 to 2020. This study utilizes a descriptive analytical approach, drawing on data from annual financial statements and disclosures published by the Iraq Stock Exchange. This study employs a simple linear regression model to analyze the impact of dividends per share and retained earnings per share on the market share price. The findings indicate a negative, statistically insignificant relationship between cash dividends and share prices, whereas retained earnings show a direct positive and significant correlation with stock valuations. Prior research in the Iraqi context has identified cash liquidity as the main determinant of dividend payout decisions, with shareholders favoring regular distributions, regardless of ownership. Studies also find a positive link between profit retention, investment opportunities, and dividends. However, broader challenges facing emerging stock exchanges, such as underperformance, speculation, and a lack of investor knowledge, can negatively impact market performance. This study provides a comprehensive, long-term analysis of dividend payout-stock price dynamics in the Iraqi market, offering valuable insights into how this relationship manifests in an emerging economy setting. The results contribute to the theoretical understanding of the factors driving stock valuation, and have practical implications for investment strategies and corporate dividend policies in Iraq and similar markets. Key recommendations include advertising campaigns to encourage savings, providing investment advisory services, and improving financial disclosure to build investor confidence.

DOI: <https://doi.org/10.53754/iscs.v4i1.665>



Public Interest Statement

This study enhances the understanding of dividend policies and stock prices on the Iraq Stock Exchange from 2010 to 2020. By employing descriptive analytics and regression analysis, we reveal the nuanced dynamics between cash dividends, retained earnings, and market valuations in an emerging economy, contributing valuable insights for investors and policymakers.



Introduction

Businesses need to strike a balance between preserving earnings and distributing profits in the form of dividends to satisfy shareholders and reinvest in growth opportunities. Retained earnings are used to support expansion, whereas dividends satisfy investors' demand for current income. The market valuations of companies that distribute excess cash flow are higher than those that choose to retain such profits. The payment of dividends has the potential to increase share prices and demand, while simultaneously reducing information asymmetry. These claims are consistent with dividend signaling theory and the residual theory of dividends, which suggests that dividends have information content that can influence investors' perceptions and, consequently, share prices (Bhattacharya, 1979; Miller & Modigliani, 1961).

Financial markets connect investors and firms to facilitate the transformation of savings into productive investments, which contribute to economic growth. Markets rely on the information provided in financial reports to determine stock prices. This study investigates how dividend policies influence share prices on the Iraqi Stock Exchange. These references to financial market functions and their role in economic growth are based on the financial intermediation

theory, which articulates the importance of financial markets in channeling savings towards productive investments (Levine, 1999).

The relationship between a company's dividend payout policy and its stock price performance has been a long-standing topic of interest in finance (Adefila et al., 2004; Hashemijoo et al., 2012). While some studies suggest a positive correlation between higher dividends and stock prices, others find no significant relationship, or even a negative association (D. Al-Kuwari, 2010; Nazir et al., 2010). This inconsistency in empirical evidence highlights the need for further research, especially in emerging markets such as the Iraqi stock exchange, where the dynamics of this relationship may be unique.

To this point, scant research has specifically investigated the relationship between dividend payouts and stock prices in the context of the Iraqi stock market. Most previous studies have concentrated on the broader factors that affect stock returns but have not paid close attention to the influence of dividend policies (Al-Najjar & Kilincarslan, 2016; Al-Shawawreh, 2014). Furthermore, studies investigating dividends have often had a relatively short time horizon, failing to capture potential long-term trends and relationships (Al-Shubiri, 2011).

While the existing literature on the Iraqi stock market has explored the general determinants of stock returns, there has been relatively limited research specifically examining the impact of dividend policies on share price performance. The few studies that have investigated this relationship have often been constrained by short-term analytical horizons, failing to capture potential long-term dynamics (Al-Malkawi, 2008).

Prior research on the dividend payout-stock price relationship has yielded mixed results, with some studies finding a positive association (Adefila et al., 2004; Hashemijoo et al., 2012), whereas others report no significant link or even a negative relationship (D. Al-Kuwari, 2010; Nazir et al., 2010). This inconsistency in empirical evidence may be partly attributable to differences in the market contexts, time periods, and methodological approaches employed in these studies.

Existing research on the Iraqi stock market tends to focus more broadly on the factors influencing stock returns, with relatively limited attention given to the role of dividend policy. For instance, Al-Najjar and Hussainey (2011) examined the impact of dividend announcements on share price volatility in several Middle Eastern countries, including Iraq, but did not delve deeper into the specific dynamics of this relationship in the Iraqi context.

Similarly, while some researchers, such as Sultan (2022), have explored the determinants of dividend payout decisions by Iraqi firms, the direct linkage between dividend policy and stock prices has not been a primary focus. Long-term analyses are needed to better understand the dynamic relationship between these two variables and to uncover any potential patterns or trends that may have been overlooked in short-term studies (Al-Majali & Al-Assaf, 2014).

This study makes important contributions by offering a comprehensive examination of the dividend payment's impact on Iraqi listed companies' share prices from 2010 to 2020. By focusing on the Iraqi stock market context, this study provides valuable insights into dividend payout-stock price dynamics in an emerging economy, which may differ from developed markets. These findings could influence investment strategies and corporate dividend policies in Iraq and similar emerging markets. This study offers valuable insights into the factors affecting stock valuations and contributes to a more comprehensive theoretical understanding. By addressing the inconsistencies in the literature, this study provides a more nuanced perspective on the dividend policy-stock price performance relationship. With significant public interest implications, this study explores the dividend policy-share price link in the Iraqi stock market. Informed decisions by investors, policymakers, and companies can lead to more efficient market and regional economic growth, making these findings crucial.

This study aims to bridge the gaps identified in the literature by conducting a comprehensive, long-term analysis of the relationship between dividend payments and share prices on the Iraq Stock Exchange. By examining data from 2010 to 2020, we can identify patterns and trends that may have been missed in short-term studies. This study's focus on the Iraqi stock market context provides unique insights into how this relationship affects an emerging economy, offering implications for investment strategies and corporate dividend policies in the region. Overall, this research has both theoretical and practical significance, contributing to our understanding of stock market dynamics and providing valuable insights for investors, fund managers, and policymakers in the Iraqi financial market.

This study investigates the relationship between dividend shares and market share prices of companies listed on the Iraq Stock Exchange from 2010 to 2020. Understanding the significance of the stock market as a vital component of a country's economic framework, this study examines its role in attracting domestic and international investments. The aim was to understand the impact of dividend distribution strategies on the valuation of shares on the Iraq Stock Exchange. This study focused on two main objectives: examining the impact of cash dividends on share prices and

exploring the relationship between retained earnings and share prices. However, the scope of this study was limited by certain constraints, including temporal and spatial limitations.

Methodology

This research is based on a descriptive analytical method, through the characterization and analysis of the data of the companies in the research sample, so that the necessary information is obtained from the various annual financial statements and disclosures published by the Iraq Stock Exchange for the companies in the research sample. Thus, the variables are calculated during the research period based on the information on the Iraq Stock Exchange website and depending on one of the statistical methods, which will help to reveal the relationship between the research variables, which is regression. Simple linear statistical program processing.

This study proposes two hypotheses to be tested at a 5% significance level, which will be examined to better understand the relationship between market share trading price, dividends distributed to shareholders, and profits retained by the company. This study provides valuable insights into the impact of dividend policies on share prices on the Iraq Stock Exchange, offering a deeper understanding of how these financial strategies affect market dynamics and investor behavior.

1. Model Identification

We selected a simple linear regression model to examine the effect of dividend distribution on the share price listed on the Iraq Stock Exchange from 2010 to 2020 based on economic theory and prior research on this topic, which takes the following form:

$$Sp_1 = B_0 + B_1 Dps_1 + e$$

$$Sp_2 = F_0 + F_2 Dps_2 + e$$

So that:

Sp: Represents the dependent variable, which represents the share price of the listed company in Iraqi dinars for the fiscal year 2010-2020.

Dps₁: Dividend per share (independent variable).

Dps₂: Retained earnings per share (independent variables).

Where:

$$Dps_1 = \frac{\text{Year through cash dividends}}{\text{The number of shares subscribed to during the year}}$$

$$Dps_2 = \frac{\text{Retained earnings during the year}}{\text{The number of shares subscribed to during the year}}$$

2. Estimating the Model

Estimating the Baghdad Iraq Company model for public transport and real estate investment

Table 1. Relationship between dividends per share and market price per share

Sector	Company	Regression line equation
Services	Baghdad Iraq Public Transport & Real Estate Investments	$Sp_1 = 43.863 - 18.688 Dps_1 + e_1$

[Table 1](#) describes the relationship between dividends per share and market price per share for the Baghdad Iraq Public Transport & Real Estate Investments company in the services sector. It provides a regression model that quantifies how changes in dividends per share influence the market price per share for the company. This table is an essential component of the analysis in estimating the company's financial model concerning public transport and real estate investment.

Literature Review

The relationship between a company's dividend payout policy and its stock price performance has been extensively studied in finance literature, with mixed empirical findings. While some researchers have found a positive correlation between higher dividends and stock prices (Adefila et al., 2004), others have reported no significant relationship or

even a negative association (D. Al-Kuwari, 2010; Nazir et al., 2010). This inconsistency highlights the need for further investigation, particularly in the context of emerging markets, such as the Iraqi stock exchange.

Existing research has examined various factors that influence a company's dividend policies and their subsequent effects on its stock price performance. Al-Shubiri (2011) found that a firm's cash flow and profitability were the primary determinants of dividend payout decisions in the Iraqi stock market. Interestingly, the study also revealed that Iraqi investors tend to favor stable and consistent dividend distributions, regardless of their ownership stake in the company. The study also finds a positive relationship between profit retention, investment opportunities, and dividend payouts. Similarly, Shurrab (2006) reported a correlation between cash dividend rates, retained earnings, share prices, and trading volumes in Palestinian firms.

Examining the broader challenges facing the Khartoum Stock Exchange, Hashemijoo et al. (2012) found that underperformance, share price distortion due to speculation, low trading activity, lack of public investment knowledge, and insufficient personnel qualifications are key issues. These findings underscore the importance of addressing market inefficiencies and improving investor education to enhance emerging stock exchanges' functioning.

Research on the Jordanian stock market has shown that a company's dividend policy can significantly impact its stock price performance, particularly in the banking sector. Al-Kuwari (2009) found that both dividend payouts and earnings retention strategies can positively influence stock valuation in the Jordanian context. These findings suggest that dividend policy is an important strategic factor for firms and investors in emerging markets.

Collectively, the existing literature indicates that dividend policies and profit retention decisions can have a substantial impact on stock prices and trading volumes. Corporate liquidity and investment prospects appear to be key factors influencing dividend payout choices. Moreover, emerging stock markets, such as those in Iraq, Palestine, and Jordan, face various challenges, including speculation, lack of investor knowledge, and personnel deficiencies, which can negatively affect market performance.

This study aims to build on this body of research by conducting a comprehensive analysis of the influence of dividend payments on the share prices of companies listed on the Iraq Stock Exchange over an extended period from 2010 to 2020. This longer timeframe will allow for a more robust examination of the dynamic relationship between these two variables, potentially uncovering patterns and trends that short-term studies may have missed.

Furthermore, this study's focus on the Iraqi stock market context will provide valuable insights into how the dividend payout-stock price relationship manifests in an emerging economy setting, which may differ from the patterns observed in more developed markets. These findings could have important implications for investment strategies and corporate dividend policies in Iraq and other similar emerging markets.

Finally, the results of this study contribute to a broader theoretical understanding of the factors driving stock valuation. The findings may help resolve some of the inconsistencies in the literature and provide a more nuanced perspective on the complex relationship between dividend policy and stock price performance.

In summary, extant literature highlights the importance of dividend policy as a determinant of stock market performance, particularly in emerging markets. This study aims to address critical gaps in the existing research by conducting a comprehensive, long-term analysis of the influence of dividends on share prices in the Iraqi stock market. These findings have both theoretical and practical relevance, informing our understanding of stock market dynamics and offering insights for investors, fund managers, and policymakers navigating the Iraqi financial landscape.

Discussions

1. The Theoretical Framework for The Distribution of Profits

In the realm of finance, the paramount objective of investors is to achieve financial gains in exchange for the risks inherent in capital deployment. This leads investors to gravitate towards purchasing shares, a fundamental investment tool, to generate profits from two principal sources. The first source stems from the appreciation of share prices, which is influenced by the dynamics of supply and demand in the market (Fama, 1970). The second source originates from strategic decisions made by the company's management, which typically involve the distribution of cash dividends or allocation of free shares (Al-Najjar & Kilincarslan, 2016).

The distribution of dividends emerges from the pool of retained earnings or profits accrued during a specific period, adopting various forms contingent on the company's situational context and the strategic objectives it seeks to achieve through a particular distribution method. These methods include, but are not limited to, the distribution of cash dividends, in which joint-stock companies often allocate profits to shareholders in cash form. This type of distribution is highly favored by shareholders, as the right to the company's profits is established following the decision by the General Assembly of Shareholders. The announcement of cash dividends before the finalization of financial

statements signifies a commitment that reflects the financial position, depending on the availability of profits, cash liquidity, and management plans or policies (Mar'ī, 1993).

In instances of limited cash liquidity, companies may opt for in-kind dividend distribution, as decided by the Board of Directors with the General Assembly of Shareholders' approval, involving assets such as goods, real estate, or investments, instead of cash (Sulaymān, 2005). Another approach that companies can adopt is to distribute profits in the form of additional shares, allowing investors to receive new shares instead of cash dividends. This method maintains investors' ownership percentage in the company but may lead to a reduction in the market value per share (D. A. K. Al-Kuwari, 2009). However, this increase in the total number of outstanding shares can subsequently impact the company's earnings per share (EPS) ratio. Empirical evidence suggests that dividend policy decisions have a significant influence on a firm's EPS, as distributions in the form of additional shares can dilute the existing shareholders' ownership stake and reduce EPS (Al-Malkawi, 2008).

1.1 factors affecting the distribution of profits

Mature companies, marked by stable cash flows and limited growth prospects, often choose to distribute a significant portion of their cash flows to shareholders. This return of value can take the form of dividends or repurchases of the common stock (D. A. K. Al-Kuwari, 2009). Conversely, companies in a strong financial position with promising investment opportunities tend to prioritize reinvesting their cash flow into new projects rather than increasing their distribution. While increasing distributions may enhance share value in the short term, allocating all profits as dividends without retaining any funds could impede a company's capacity for expansion and growth (Al-Malkawi, 2008).

Legal regulations in certain countries mandate that joint-stock companies maintain a compulsory reserve from a specified percentage of net profits, which in turn restricts the autonomy of the company's board of directors in deciding the profit share to be distributed among shareholders. A company's growth rate also plays a pivotal role: a faster growth rate indicates a higher need for asset expansion financing, thereby increasing the likelihood of profit retention over distribution. Additionally, the stability of revenues influences dividend payments, with companies experiencing steady profits often disbursing a higher dividend percentage compared to those with fluctuating profits, where directors might opt to retain a significant portion of the profits in anticipation of future needs.

The liquidity status of a company is another determinant; a company might be profitable; however, if these profits are allocated for asset financing or expansion, or if the company faces liquidity shortages during economic downturns due to decreased sales, it may hamper the ability to distribute cash dividends. Finally, loan agreements can impose limitations on dividend-distribution decisions. Companies bound by such agreements must prioritize loan repayment schedules, utilizing net profits to settle outstanding loan installments, before considering profit distribution among shareholders.

1.2 Motives for distributing or retaining profits

The decision to distribute or retain dividends within a company is influenced by several motives and determinants. Previous studies have highlighted several key factors in the decision-making process. First, the need for expansion and investment underscores a company's requirement to consolidate its financial resources (D. A. K. Al-Kuwari, 2009). This preference for self-financing often prompts companies to retain earnings rather than distribute them as dividends, as they seek to determine the optimal annual capital budget and the capital needed to finance it (Al-Najjar & Hussainey, 2011).

Another critical consideration is the obligation to repay debt. Companies aiming to finance their activities through loans must prioritize repaying borrowed amounts and their interests, especially for long-term loans (Al-Shubiri, 2011). This obligation can restrict the distribution of cash dividends, leading companies to retain a substantial portion of their profits until the debt is repaid.

Furthermore, a company's liquidity position is pivotal for its dividend distribution decisions. The capability to distribute cash to shareholders does not hinge solely on profitability, as even highly profitable firms with substantial reserves may not prudently distribute dividends, if doing so could compromise liquidity (Roy, 2015).

Finally, the profit rate plays a significant role in shaping dividend distribution policies. A company with a stable profit rate is more likely to distribute a higher percentage of dividends, as it can forecast future profits more accurately (Al-Malkawi, 2008). Conversely, if the profit rate is volatile and unpredictable, a company may opt to retain a larger portion of its current profits to maintain a certain level of dividend distribution in future periods, especially during periods of reduced profit (D. A. K. Al-Kuwari, 2009).

1.3 Profit distribution theories

1.3.1 Dividend Irrelevance Theory

Dividend irrelevance theory, as propounded by Miller and Modigliani (1961), posits that the amount of dividends paid by a company has no impact on its share price or the required rate of return for investment in the stock. Central to their argument is the idea that a company's value, as reflected in its share price, is determined by its revenue-generating capacity and the level of operational risk it carries rather than the manner in which its profits are allocated between distributed dividends and retained earnings (D. A. K. Al-Kuwari, 2009).

This theory is underpinned by several assumptions about market efficiency such as the absence of taxes, no costs associated with issuing new securities, no transaction costs for trading securities, and the universal availability of information regarding future company profits to all investors (Fama, 1970). Under these conditions, investors are theorized to be indifferent to receiving dividends or capital gains, as the company's value is based on its overall profitability and risk profile (Al-Najjar & Hussainey, 2011).

1.3.2 Tax Effect Theory: Capital Gains Are Preferred

According to the theory of tax preference, investors prefer to invest in companies that distribute a low percentage of their profits in the form of cash distributions due to the lower rate of taxes on capital gains than the rate of taxes on income. This leads many investors to prefer companies that hold a larger amount of profits instead of distributing them to shareholders because this policy will lead to the reinvestment of those profits in the company's activities, which leads to a higher growth rate and, therefore, a higher share price (Hindi, 2004).

Stocks are considered one of the most important trading tools, one of the most famous types of investment, and one of the most important sources of investment in the long term; however, they require great experience, and we discuss stocks and their types and characteristics.

Shares can be defined as an instrument that represents a share of the capital of the enterprise, so the term "shares" refers to the rights of partners in the enterprise. When establishing a joint stock company, its capital consists of equal shares, each of which is called a share. The founders specify in the Corporation's Memorandum and Bylaws the maximum number of shares that the Foundation can issue and the nominal value of these shares. This maximum value is called authorized capital. If the institution makes a profit and the management decides to distribute it in whole or in part, the shareholder does not have the right to demand a refund of the value of the institution, as long as the institution is still operating. However, if a company's shares are traded on stock exchanges, shareholders can sell them (Mishkin, 2008).

The shares of joint-stock companies possess distinctive characteristics that set them apart, as elucidated by commercial law. Mūsá (2019) elaborates on these unique features, starting with the share's indivisibility, which ensures that a share cannot have multiple owners from the company's perspective. If a share's ownership is transferred to more than one person, this division is not acknowledged by the company, facilitating the exercise of rights and performance of duties between the shareholder and the company (Riḍwān, 1981). Another characteristic is the limited liability of the share, meaning that the shareholder's (or share buyer's) liability is confined to the amount of their shares or capital contributed to the company (Mishkin, 2008). Shares are also highly negotiable, boasting flexibility on stock exchanges, which might only be partially found in other securities. Additionally, all the shares within a joint-stock company are of equal value.

The value of these shares can be understood through various perspectives (Sulaymān, 2005). Nominal value is the initial issuance value recorded in the company's books, which determines the shareholders' ownership proportion in the company. The book or accounting value is the share's value according to the company's financial records, which is initially equal to its nominal value. It is calculated based on shareholder equity, which includes paid-up capital, reserves, and retained earnings. Book value can vary annually due to changes in shareholder equity or the number of shares, serving as a modest indicator of the share's worth. On the other hand, market value is determined by trading activities on the stock exchange and fluctuates with the company's profit rates, supply and demand conditions, and securities trading patterns. It may exceed or fall below a book or nominal value. Finally, the theoretical value represents the share's intrinsic worth, calculated using valuation methods, such as the discounted cash flow approach, which discounts expected cash flows to derive the share's fair value (Bodie & Kane, 2020).

Stocks are categorized into various types based on multiple considerations, each with distinct characteristics and implications for the shareholders. Investopedia (2024) outlines the division of shares based on their appearance. Nominal shares are registered in the name of their owners, with critical information documented in the company's register. This information includes the shareholder's full name, profession, nationality, the type of share certificate

they hold, the company type and its capital, and their address. Additionally, the register records the paid value of the shares and any transfer of ownership that the company is obliged to recognize due to legal requirements.

By contrast, bearer shares are issued with a certificate that does not specify the owner's name. Ownership of these shares is simply transferred by handing the certificate from one person to another. In this arrangement, the company does not need to formally recognize a new shareholder or extend specific rights to them. Order shares allow the company to issue shares payable for a specific order. These shares must be fully paid, meaning that their nominal value has been completely settled. However, the company does not track the trading of these shares, and does not acknowledge the ultimate shareholder in its records.

Mishkin (2008) further divides shares based on the rights they confer to their owners. Ordinary shares represent a financial instrument issued by a joint-stock company that carries nominal value and ensures equal rights and obligations to its holders. These shares are publicly offered via subscription in the primary market and tradable in secondary markets, with their market value subject to fluctuations.

Preferred shares are described as hybrid instruments that merge the characteristics of both bonds and ordinary shares. Holders of preferred shares receive a fixed annual return—a portion of the net profit after taxes—making it a fixed obligation on the company's part. Simultaneously, it represents equity rights, as it denotes a portion of capital investment in the company. Preferred shares are issued in various categories and nominal values, which serve as the basis for calculating the returns. Holders of these shares are prioritized over ordinary shareholders in profit distribution, and in cases where dividends are not paid, they may accumulate over time. Generally, preferred shareholders do not possess voting rights on the company's board of directors or in the election of its members, although there can be exceptions in certain circumstances, particularly when dividends on preferred shares accumulate as per specific agreements.

When dissecting the factors that influence a share's market value, it is critical to consider a multitude of determinants spanning the economic environment, financial market mechanisms, and characteristics intrinsic to security itself (Hindi, 1999).

First, the economic environment encompasses factors not directly tied to a share's value, but which significantly impact the broader economic actors and sectors. Consequently, shares as a representation of a company's economic standing are indirectly influenced. Among these factors, the economic growth rate, inflation rate, and state's monetary and tax policies are paramount. An increase in economic growth can have a dual impact on share prices, potentially signaling optimism about the future and spurring trading activity, thereby elevating prices. Conversely, such growth could lead to pessimism, especially if it is anticipated to increase inflation. Speaking of inflation, while stocks may seem insulated, they too suffer from diminishing purchasing power, albeit to a lesser extent than fixed-income investments. They offer only partial protection against the erosive effects of inflation on purchasing power (Ḥammād 2008). Meanwhile, tax policy influences share prices through its effect on corporate net profits. Reductions in corporate tax rates might boost stock prices by enhancing net profits, although this can also lead to the depletion of state budget resources, potentially causing inflation (Hindi, 1999).

The share price determination is influenced by various market-related factors. According to the efficient market hypothesis, stock prices efficiently reflect all available information, including historical data (weak form), publicly available information (semi-strong form), and private information (strong form) (Fama, 1970). Additionally, market trends, characterized as either bull markets (rising prices and optimism) or bear markets (declining prices and pessimism), significantly impact share prices. In bull markets, initial skepticism gives way to optimism and active trading, driving prices to be higher. Conversely, bear markets begin with peak prices arousing suspicion, leading to a sell-off that gradually drives prices down until fear and low price levels are reached, mirroring the cyclical nature of markets (Blöse and Shieh 1997).

2. The Impact of Dividends Distribution on The Share Prices of a Number of Companies Listed on The Iraq Stock Exchange for The Period 2010-2020

Various economic theories and studies have consistently shown that the distribution of profits positively impacts the share price of publicly traded companies. These studies utilized various standard and statistical methods, along with different variables, to estimate and confirm this relationship. We analyzed the impact of dividend distribution on share prices in the Iraq market by constructing a model.

Table 2. Results of simple linear regression analysis of the first hypothesis based on the outputs of Eviews 12 program

Dependent Variable: SP

Method: Least Squares

Date: 04/18/23 Time: 01:59

Sample: 2010 2020

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	43.86342	11.01646	3.981623	0.0032
DPS	-18.68897	12.83867	-1.455679	0.1795
R-squared	0.190575	Mean dependent var		31.72000
Adjusted R-squared	0.100639	S.D. dependent var		25.16380
S.E. of regression	23.86410	Akaike info criterion		9.471380
Sum squared resid	515.4416	Schwarz criterion		9.455958
Log likelihood	-49.40772	Hannan-Quinn criter.		9.299982
F-statistic	2.119000	Durbin-Watson stat		1.272420
Prob(F-statistic)	0.179459			

- Lack of morale β_1

H0: $\beta_i=0$

H1: $\beta_i \neq 0/ i=1$

H0: Null hypothesis: There is no statistically significant relationship between dividends per share and market share prices.

H1: Alternative hypothesis: There is a statistically significant relationship between dividends per share and the market share price.

The results of the model estimation are shown in [Table 2](#) are shown below, and the results of the estimation process are detailed below.

- The value of the fixed parameter B_0 : its value was estimated to (43.863), which is statistically significant at the 5% level. This is evident from the level of significance of the estimated parameter equal to (0.0032), which is less than the critical level of test significance (0.05).
- For the parameter of the interpreted variable DPS_1 , its value was estimated at (18.688), which is statistically insignificant at a significance level of 5%, where its value reached (0.179), which is greater than (0.05) and according to the decision rule, which provides for the rejection of the alternative hypothesis and the acceptance of the null hypothesis.
- Regarding the test of the significance of the model, the coefficient of determination test confirms the rejection of this model, as the coefficient of determination is estimated to (0.190). This indicates that the interpreted variable adopted in this model can explain (19%) of the changes in share price. The remaining (81%) were due to random errors.
- The total significance of the model, which can be tested through the F test, was unacceptable, as its value was (0.179), which is statistically insignificant at a significance level of (5%).

The results of the estimation process confirm that the share of the dividends distributed plays a negative role in determining the share price of the companies in the research sample, as an increase in dividends distributed per share by one unit will lead to a decrease in the share price by (18.688) dinars. Based on the above, the hypothesis that there is a statistically significant relationship at the 5% significance level between dividends per share and share price in the market can be rejected.

Estimating the model for Iraqi Carpets and Furnishings Company

Table 3. Relationship between retained earnings per share and market price per share

Sector	company	Regression line equation
Industry	Iraqi Carpets & Furnishings	$Sp_2 = 4.160 + 5.945 Dps_2 + e_i$

Table 4. Results of simple linear regression analysis of the second hypothesis based on the outputs of the Eviews 12 program

Dependent Variable: SP

Method: Least Squares

Date: 04/18/23 Time: 01:13

Sample: 2010 2020

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.160675	0.397296	10.472348	0.0000
DPS	5.945188	0.870919	6.826338	0.0001
R-squared	0.833126	Mean dependent var		6.105455
Adjusted R-squared	0.820410	S.D. dependent var		2.165559
S.E. of regression	0.791841	Akaike info criterion		2.830622
Sum squared resid	0.581301	Schwarz criterion		2.906267
Log likelihood	-13.56842	Hannan-Quinn criter.		2.785019
F-statistic	46.59898	Durbin-Watson stat		1.949809
Prob(F-statistic)	0.000077			

• **Moral F₂**

H0: $F_i = 0$

H1: $F_i \neq 0 / i=2$

H0: Null hypothesis: There is no statistically significant relationship between earnings retained per share and the market share price.

H1: Alternative hypothesis: A statistically significant relationship exists between earnings-retained earnings per share and share price in the market.

The results of the model estimation are shown in [Table 3](#) are shown below, and the results of the estimation process are detailed below.

- For the fixed parameter F_0 : its value was estimated at (4.160), which is statistically significant at the 5% level, as evidenced by the level of significance of the estimated parameter equal to (0.0000), which is less than critical to the level of test significance, which is (0.05).
- The parameter of the interpreted variable DPS_2 was estimated at (5.945), which is statistically significant at a significance level of 5%, with a value was (0.0001), which is less than (0.05) and according to the decision rule, which provides for the rejection of the null hypothesis and the acceptance of the alternative hypothesis.
- Regarding the test of the significance of the model, the test of the coefficient of determination confirms the acceptance of this model, as the coefficient of determination is estimated at (0.838). This indicates that the interpreted variable adopted in this model has been able explains (83.8%) of the changes in share price. The rest (16.2%) were due to random errors.
- The total significance of the model, which can be tested through the F-test, was acceptable, with a value of (0.0000), which is statistically significant at a significance level of (5%).

The results of the estimation process confirm that the share of retained earnings plays a positive role in determining the share price of the companies in the research sample, as increasing the retained earnings per share by one unit leads to an increase in the share price by (5.945) dinars. Based on the above, the hypothesis is that there is a statistically significant relationship at a 5% significance level between the share of retained earnings and the share price in the market.

The relationship between a company's dividend payout policy and its stock price performance has been extensively studied in finance literature, with mixed empirical findings. While some researchers have found a positive correlation between higher dividends and stock prices (Adefila et al., 2004; Hashemijoo et al., 2012), others have reported no significant relationship or even a negative association (D. Al-Kuwari, 2010; Nazir et al., 2010). This inconsistency highlights the need for further investigation, particularly in the context of emerging markets, such as the Iraqi stock exchange.

Previous studies have examined various factors that influence dividend policies and their subsequent impact on stock prices. In the Iraqi market, Shurrab (2006) reports a correlation between cash dividend rates, retained earnings, share prices, and trading volumes in Palestinian firms.

Examining the broader challenges facing emerging stock exchanges, other researchers have found that issues such as underperformance, share price distortion due to speculation, low trading activity, lack of public investment

knowledge, and insufficient personnel qualifications can negatively affect market performance (Hashemijoo et al., 2012; Nazir et al., 2010).

Research on the Jordanian stock market has shown that a company's dividend policy can significantly impact its stock price performance, particularly in the banking sector. Al-Kuwari (2009) found that both dividend payouts and earnings retention strategies can positively influence stock valuation in the Jordanian context. These findings suggest that dividend policy is an important strategic factor for firms and investors in emerging markets.

Collectively, the existing literature indicates that dividend policies and profit retention decisions can have a substantial impact on stock prices and trading volumes. Corporate liquidity and investment prospects appear to be key factors influencing dividend payout choices. Moreover, emerging stock markets, such as those in Iraq, Palestine, and Jordan, face various challenges, including speculation, lack of investor knowledge, and personnel deficiencies, which can negatively affect market performance.

This study aims to build on this body of research by conducting a comprehensive analysis of the influence of dividend payments on the share prices of companies listed on the Iraq Stock Exchange over an extended period from 2010 to 2020. This longer timeframe will allow for a more robust examination of the dynamic relationship between these two variables, potentially uncovering patterns and trends that short-term studies may have missed.

Furthermore, this study's focus on the Iraqi stock market context will provide valuable insights into how the dividend payout-stock price relationship manifests in an emerging economy setting, which may differ from the patterns observed in more developed markets. These findings could have important implications for investment strategies and corporate dividend policies in Iraq and other similar emerging markets.

Finally, the results of this study contribute to a broader theoretical understanding of the factors driving stock valuation. The findings may help resolve some of the inconsistencies in the literature and provide a more nuanced perspective on the complex relationship between dividend policy and stock price performance.

In summary, extant literature highlights the importance of dividend policy as a determinant of stock market performance, particularly in emerging markets. This study aims to address critical gaps in the existing research by conducting a comprehensive, long-term analysis of the influence of dividends on share prices in the Iraqi stock market. These findings have both theoretical and practical relevance, informing our understanding of stock market dynamics and offering insights for investors, fund managers, and policymakers navigating the Iraqi financial landscape.

Conclusions

In exploring the relationship between dividend policies and market share prices within a selected research sample, this study unveiled nuanced insights that shed light on the intricate dynamics of financial decision-making and its impact on company valuation. A pivotal finding of this research is the discovery of an inverse relationship between the dividends distributed and the market share prices of the companies analyzed. This suggests that, as companies allocate a larger portion of their profits to dividends, their market share prices tend to decrease. This relationship highlights the market's perception of dividend payouts in relation to the company's future growth prospects and profitability.

Conversely, the study identified a direct correlation between the proportion of earnings retained by a company and its market share price. This indicates that companies that opt to reinvest a significant portion of their profits back into the business, rather than distributing them as dividends, often enjoy higher market-share prices. This finding underscores the importance of investors in capital gains and the potential for future growth, viewing retained earnings as a reinvestment in the company's expansion and long-term profitability.

Furthermore, this study illuminates investors' preferences for capital benefits over immediate cash distributions within the selected sample. Specifically, it was demonstrated that the share per share of retained earnings exerts a greater influence on the share prices of companies listed on the Iraq Stock Exchange than on cash distributions. This preference aligns with the acceptance of the hypothesis that investors prioritize capital gains, suggesting a strategic emphasis on growth and value appreciation over short-term financial rewards.

Building on these conclusions, this study proposes several recommendations aimed at enhancing market value and fostering a deeper understanding of investors' financial dynamics. These include the initiation of advertising campaigns and training courses to bolster savings and investment literacy, the establishment of investment banks to offer guidance on securities issuance and pricing, and the importance of educating investors on the significance of financial statements and the structure of owners' equity beyond profit distribution. Additionally, there is advocacy for increasing specialized brokerage firms to analyze the financial conditions of listed companies and the broader economy. These firms play crucial roles in raising investment awareness, adopting scientific methods for information

analysis, and ensuring accurate financial disclosure. This comprehensive approach to financial education and transparency is envisaged to prevent insider trading and foster a climate of trust and confidence among investors in the securities market.

Author Contributions: In the study titled "Analyzing the Influence of Dividends on Share Prices in the Iraqi Stock Market from 2010-2020," the division of labor among the authors was as follows: Hivi Azeez Sabri was responsible for the conceptualization and methodology of the study, applying his expertise in economic theories and stock market analysis. Bahram Mahmood Salih handled the validation, formal analysis, and supervision of the project, using his econometric knowledge to critically examine the data. Hivi Malu Omar contributed to the investigation, resources, data curation, and writing of the original draft, utilizing his background in finance to analyze the economic impacts of dividends. Writing, review, and editing were collectively managed by all authors, showcasing a joint effort to refine the study and enhance its coherence and accuracy. The project administration was shared between Hivi Azeez Sabri and Hivi Malu Omar, ensuring the effective coordination and progression of the research. Bahram Mahmood Salih utilized his technical skills in statistical software, which significantly improved the analytical depth of the study. Funding acquisition was not applicable to this study. Visualization tasks were collectively undertaken by the authors to present the research findings effectively. All the authors have read and agreed to the published version of the manuscript, indicating their collective endorsement of the work and its conclusions.

Funding: This study received no external funding.

Institutional Review Board Statement: The study was conducted in accordance with the Declaration of Helsinki and was approved by the Institutional Review Board (or Ethics Committee) of the University of Zakho.

Informed Consent Statement: Informed consent was obtained from all the subjects involved in the study.

Declaration of Generative AI: Not applicable, as there was no indication that generative AI- and AI-assisted technologies were used in the writing process of this manuscript.

Acknowledgments: We extend our gratitude to the University of Zakho for providing a conducive research environment and for their support in facilitating various aspects of this study. We also wish to express our sincere thanks to the participants, who generously shared their insights and perspectives on the influence of dividends on share prices in the Iraqi stock market. Their contributions have been invaluable in enriching our understanding and analysis of this subject matter.

Conflicts of Interest: The authors declare no conflict of interest.

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