International Journal Of Accounting And Managment Sciences

THE SCIENCE PUBLISHING HOUSE

**Vol.1 No.1 July 2022**

# The Relationship between Corporate Life Cycle and the Dividend Policy: An Empirical Evidence from Non-Financial Companies Listed on the Kuwaiti Stock Exchange

***Ramez Hussein***
*Department of Accounting, Faculty of Commerce, Benha University Egypt;*
*Corresponding author Email: Ramez.ali@fcom.bu.edu.eg*
***Saud M. Alotaibi***
*Ministry of Health, Accounting Department, Kuwait;*

**Abstract**:
The main objective of this study is to investigate the relationship between the different stages of the corporate life cycle and its dividend policy with evidence from listed companies on the Kuwaiti Stock Exchange, the study contributes to the accounting literature by providing practical evidence from the Kuwaiti business environment as an example of emerging economies on the relationship between the stages of the company's life cycle and dividend policy. This can contribute to limiting the research gap for this important topic. Additionally, the study expands the scope of research on the determinants of the dividend policy, which may reduce the debates around this topic and contribute to the interpretation of the company's decision to distribute dividends and the size of these distributions.
**Keywords**:

Corporate Life Cycle - Dividend Policy - Cash Flows - Kuwaiti Stock Exchange

## 1- Introduction:

Dividend policy is one of the most important financial policies for businesses and is often used by managers to send a signal to financial analysts, current and potential investors about the company's future profitability and performance, so it serves as a key measure for determining firm value. Companies may choose between three dividend policy strategies:
*The first strategy:* Determining the amount of dividend as a target percentage of the company's net profit and this may lead to volatile dividends, especially when profits are unstable and according to (Rampershad & Villiers, 2019) this strategy is more common in emerging economies.
*The second strategy*: The company maintains relatively stable or smooth dividends, which is common in developed economies.
*The third strategy*: To retain all profits and use them as a source of finance for expansion and growth.
It is widely believed in accounting literature that dividend policy can mitigate agency conflicts, for example in the cases of moral hazard and information asymmetry, investors would prefer to invest in companies that pay dividends than to invest in those that retain profits for expansion purposes (Choi et al., 2016), as retained profits in this case may be subject to opportunistic practices by management through utilizing these funds for their own interests. This belief is supported by both agency theory and signal theory, according to such theories it is assumed that in imperfect markets, dividend policy can be used as a tool for resolving agency conflicts

between managers and shareholders (Atanassov & Mandell, 2018), as it is, from one side, a control mechanism on managers to get rid of any surplus in cash, which limits any possible opportunistic behaviour, on the other hand, it can be considered as a signal for the company's commitment to working for the sake of investors and thereby alleviating agency conflicts.

Although research in the fields of accounting and financing have been interested in analysing factors influencing dividend policy such as ownership structure, board characteristics, liquidity, investment opportunities (Yusof & Ismail, 2016), tax considerations, political systems, and the quality of governance mechanisms (Atanassov & Mandell, 2018), dividend policy remains a centre of many debates in the accounting literature as no convincing findings have been reached (Singla & Samanta, 2019). In this context, this study aims to expand the scope of factors influencing dividend policy by analysing its relationship with the different stages of corporate life cycle. The research is mainly based on the life cycle theory, which is considered one of the most important theories that attempted to explain this relationship as the theory suggests that while companies progress through life cycle stages there will be changes in their profitability, growth opportunities and levels of free cash flow, which may affect their ability to pay dividends (Habib & Hasan, 2019).

*Based on the above,* it is clear that there are several motives behind this study one of these motives that prior research did not provide any definite evidence on the relationship between the corporate life cycle and dividend, therefore analysing this relationship in the Kuwaiti business environment which is considered as one of the fastest growing emerging economies will help to explain the differences between companies' dividend policies, moreover the majority of studies in this regard were conducted in developed which have many differences from developing economies in the Middle East which can limit in the generalizability of such studies results. Furthermore, there have been a growing interest within the accounting standards boards and regulators towards factors influencing dividend policy for the purpose of getting a better understanding for dividend policies in the different stages of corporate life cycle. The research gap is therefore outlined in the scarcity of accounting studies on the relationship between the different stages of corporate life cycle and the dividend policy.

The rest of the study is structured as follows: Section 2: The relationship between corporate life cycle and dividend policy. Section 3: Literature review and hypotheses development. Section 4: The empirical study models development. Section 5: The empirical study. Section 6: The analysis of the empirical study and testing the hypotheses. Finally, section 7: Findings, recommendations, and future research directions.

**2- The Relationship between Corporate Life Cycle and Dividend Policy:**

Corporate life cycle refers to the financial and economic stage that the company is going through, and each stage is characterized by certain features and requirements distinct from the other stages this is due to the variation in strategies, structures and activities of companies when moving from birth stage till the decline stage. (Dickinson, 2011a) suggested that this transition throughout the life cycle is non-linear and is associated with a range of internal factors such as strategy selection, financial resources, management ability and a range of other external factors such as the competitive environment, and the macro-economic factors (Dickinson et al., 2018). The importance of analysing corporate life cycle stages stems from each stage association with the certain corporate policies related to decisions such as the decisions of cash holding, net investment in property and equipment, debt and equity, acquisitions and diversification decisions, and tax avoidance, as well as the interest of investors and other market participants (such as analysts) who are financially concerned with the life cycle stages when estimating and pricing the companies' value (Habib & Hasan, 2019).

Based on (Anthony & Ramesh, 1992) (Tee, 2019) divided corporate life cycle into five stages: Introduction stage, Growth stage, Mature stage, Shake-Out stage, Decline stage. Determining in which stage a company is located is a complex process as companies have many overlapping

products and may operate in various industries with several production lines and each product or industrial sector can be positioned in a different stage of the life cycle, making it difficult to predict in which stage of the life cycle is the company at a certain point of time (Hasan et al., 2015).

The Life Cycle Theory of Dividend is one of the most important theories that explains the relationship between the stages of corporate life cycle and dividend policy, this theory suggests that as a company is moving from one stage to another it is passing through changes in its profitability, growth opportunities and its free cash flow levels (Habib & Hasan, 2019). This transition through different stages may affect its ability to pay dividends, and in this context, some studies implicitly claims that dividends distribution is linked to corporate life cycle patterns. (DeAngelo et al., 2006) study was one of the first studies that have attempted to examine this relation using a large sample of U.S. industrial companies, and found that the likelihood of paying dividends is positively related to the maturity of the company, and this result is consistent with the belief that smaller companies are in the capital infusion stage, which limits their ability to pay dividends, while mature companies have more profitability with less investment opportunities which allows them to pay dividends to shareholders. These findings were consistent with (Coulton & Ruddock, 2011) in which a sample data from Australian companies from 1993 to 2004 was analysed and found that corporate life cycle explained the level of franking credits associated with dividends distribution.

On the other hand, (Brockman & Unlu, 2011) attempted to explain the relationship between corporate life cycle and dividend policy through disclosure transparency, as within Opaque Disclosure Environments, managers tend to distribute more dividends to improve the company's reputation with financiers and stakeholders, in the same means within a transparent disclosure environment managers tend to reduce excess cash by paying dividends, (Flavin & O'Connor, 2017) also claim that dividends increase over the course of the company's life cycle but peak during maturity and this is consistent with the reputation-building hypothesis.

## 3. Literature Review and Hypotheses Development:

### 3.1- Literature Review:

This section aims to highlight the findings of prior research related to analysing the relationship between corporate life cycle and dividend policy to identify the research gap related to this topic. For example, (Trihermanto & Nainggolan, 2020) aimed to analyse the relationship between social responsibility, corporate life cycle and dividend policy by empirically examine a sample of Indonesian listed companies, producing a number of (923) observations (company-year) in the period from 2008 to 2015. They found that companies invest in social responsibility when they reach the maturity stage in their life cycle, and that there is a positive association between social responsibility expenditures on the dividend policy.

While the (Hsu, 2018) attempted to analyse the relationship between social responsibility performance and corporate life cycle by empirically examining a sample of American companies with a total number of (19707) observations from 2005 to 2015, (Hsu, 2018) found that corporate life cycle is a critical factor in financial decision-making and that companies with higher social responsibility performance bear at maturity the cost of debt and issue much lower shares than companies with less social responsibility performance.

(Ni & Zhang, 2019) analyse the impact of mandatory social liability disclosure on dividend policy. The study depended on using a sample consisting of listed companies on the Chinese stock exchange, forming a number of (8228) observations from 2006 to 2011. The study found

that mandatory disclosure of social responsibility significantly reduces dividends' distribution in companies with low governance mechanisms where shareholders lack effective tools to protect themselves from stakeholder pressures.

(Al-Hadi et al., 2019) also tried to analyse the impact of corporate life cycle on the relationship between corporate social responsibility performance and financial distress. The study empirically examined a sample of Australian companies where 651 company-year were observed from 2007 to 2013. This study found that positive social responsibility activity significantly reduces the company's financial distress, and this relationship is more noticeable at the maturity stage.

(Bhattacharya et al., 2020) attempted to analyse the impact of the transition between the stages of the company's life cycle on dividend policy and relied on a sample of U.S. companies where (44229) companies were observed from 1989 to 2012, the study found that the start-up stage, growth, volatility and decline stages are likely to reduce (increase) dividends compared to maturity, and that mature companies do not conduct any fundamental changes to the amount of dividends when they return (transition) to growth (volatility) stage.

Based on the previous studies, it can be seen that most of prior research focused on analysing the relationship of dividend policy to both social responsibility, corporate life cycle, accounting quality, accruals, but not to the direct and intermediate effects of these variables collectively on the dividend policy.

Additionally, there is an inconsistency in the findings of previous studies on the impact of corporate life cycle on dividend policy, therefore this study attempts to provide practical evidence from the Kuwaiti business environment on the direct and intermediate effects between these variables based on some interpretive theories that are used in this area, which contributes to reducing the debate raised on the relationships between these variables.

Majority of studies have also been conducted on the impact of corporate life cycle on dividend policy in developed environments such as the American, Indian and South Africa business environments, which requires investigating these relationships in the Kuwaiti environment, which differs in its characteristics from other developed business environments.

**3.2- Corporate Life Cycle and Dividend Policy:**

The Life-Cycle Theory was developed by the attempts of (Fama & French, 2001), (Grullon et al., 2002), and (DeAngelo et al., 2006) and the theory points to the trade-offs between advantages (Flotation cost savings) and costs (free cash flow agency costs) of retaining profits through the different stages of the company's life cycle.

As early-stage companies have significant investment opportunities while their ability to generate internal cash flows is limited, so they tend to retain cash to finance their investment projects rather than distributing dividends to shareholders. From another perspective, companies in the maturity stage usually are having higher degrees of profitability and are more able to generate free cash flows in excess of their investments requirements, therefore the optimal policy for such companies is to retain part of their profits to invest in projects that are seen to generate a positive net present cash flows and to distribute the excess cash to shareholders, and dividends at this stage are a sign of the company's access to sustainable profitability as well as to avoid agency costs associated with free cash flows (Trihermanto & Nainggolan, 2020).

Although dividend policy is important for companies, shareholders, potential investors, and financial analysts, it remains a centre of ongoing debates in the accounting literature as there are many variations and inconsistencies in the findings of previous studies on its impact on share prices during the different stages of corporate life cycle, as well as on the determinants of dividend policy (Trihermanto & Nainggolan, 2020); (Coulton & Ruddock, 2011). Moreover, there are many reasons why a company may distribute dividends, for example dividends can act as a signal to investors that the company is performing well and can also reduce chances of

management manipulations in profits, which in turn reduces agency costs (Kangarlouei et al., 2013). Based on the previous discussion the following hypothesis can therefore be formulated:

*There is a significant relationship between the company's life cycle stages and its dividend policy*

**4. The Empirical Study Models Development:**

**4.1 The Independent Variable Measurement: Corporate Life Cycle Stage:**

This study adopts (Dickinson, 2011b) model in determining the stages of the company's life cycle, although this model is not directly related to the company's characteristics at each stage of its life cycle, it is considered one of the most accurate and reliable models in accounting studies as it is useful in determining the life cycle stage on the company level, while other metrics are complex and have many Overlapping in the stages of the life cycle. This model also depends on the financial information at each stage, moreover, it provides additional information on the future changes in the return of net operational assets (Choi et al., 2016). This model is based on using the company's cash flow data from operating investing and financing activities, and based on economic theories that use signals (positive or negative) for the three types of net cash flows to create eight potential patterns

Accordingly, corporate life cycle stages are determined according to the net cash flows sign of (Dickinson, 2011b) model using five dummy variables. When the observations (year/company) match the sign of net cash flows at the introduction stage (INTRO), growth stage (GRO), maturity stage (MAT), decline stage (DEC), or shake stage (SHAKE) it takes the value of (1), and if otherwise takes the value (zero). Due to the low amount of observations and based on the study of (Zadband & Omrani, 2014), the introduction and growth stages will be combined in one stage (the growth stage), similarly, the decline and the shake stages will be combined in one stage (the decline stage) and therefore this study will adopt a three stages life cycle scale consisting of the growth, maturity and decline stages.

**4.2 The Dependent Variable Measurement: Dividend Policy:**

The study relied on two measures for dividends distribution, which are: (1) the ratio of cash dividends to total assets, and (2) the ratio of cash dividends to net sales (Ni & Zhang, 2019); (Choi et al., 2016). These two measures were adopted following the suggestion of (Benlemlih M., 2019) who claims that dividends ratios that are based on profitability of or cash flows can be volatile, resulting in instability of dividends distribution and therefore can bias the results, and are easily manipulated using various accounting tricks. Although the use of dividends to market share price includes market perceptions but is associated with pricing problems when stock prices fall, in addition to other problems that are related to market capitalization.

**4.2- Control Variables:**

*a) Firm Size (SIZE):* Measured using the natural logarithm for total assets at the end of the year.

*b) Cash Holding (CASH):* Measured by cash and short-term investments to total assets.

*c) Leverage (LEV):* Measured using book value of total debt to book value of total assets at the end of the year.

*d) Growth Opportunities (GROWTH):* Measured using the natural logarithm for sales growth compared to previous year, life cycle theory suggests that companies with investment opportunities will retain profits to finance growth opportunities, while companies with low investment opportunities will receive high cash flow and tend to pay more dividends.

*e) Profitability (ROA):* Measured by net income after tax to total book value of assets

The study model:

$$Divasset_{it} / Divsale_{it} = \beta 0+\beta_1(GRO\ it) + \beta_2\ (MAT\ it) + \beta_3\ (DEC\ it)+ \beta_4\ (SIZE\ it)+ \beta_5(CASH\ it)+ \beta_6\ (LEV\ it\ )+ \beta_7\ (GROWTH\ it\ ) + \beta_8\ (ROA\ it\ ) + \varepsilon_{it}$$

**Where:**

$Divasset_{it}$: The ratio of cash dividends to total assets at first.

$Divsale_{it}$: The ratio of cash dividends to net sales.

$\beta 0$: The constant value.

$GRO_{it}$: The growth stage for company $_i$ in year $_t$.

$MAT_{it}$: The maturity stage for company $_i$ in year $_t$.

$DEC_{it}$: the decline stage for company $_i$ in year $_t$.

*SIZE*: Company size.

*CASH*: retained cash.

*LEV*: leverage.

*GROWTH*: Growth Opportunities.

*ROA*: Profitability.

## 5. The Empirical Study:

### 5.1 The Study Population and Sample:

The study population consists of listed companies on the Kuwaiti stock exchange in the period from 2019 to 2021, and the study sample was selected based on the following criteria: the availability of the company's financial reports in a regular base, the availability of sufficient data to measure the study variables, the company has not been written off from the stock market, merged or discontinued during the study period, and the company has been on the stock exchange for more than five years and has not been sustaining regular losses for more than a year. Companies from the financial sector were excluded because of their specific regulations and accounting standards. The application of these selection criteria has resulted in the selection of 95 joint stock companies and a total of 285 observations (company/year).

### 5.2 Sources of Data:

The study depended on content analysis of the financial reports of the companies within the sample for the period from 2019 to 2021, reports were retrieved from the companies' websites, argamm.com, mubasher.info, as well as the Kuwaiti Stock Exchange website (www.boursakuwait.com).

## 6. The Analysis of the Empirical Study and Testing the Hypotheses:

### 6.1 Testing data validity for statistical analysis:

To test how close continuous Variables are following their natural distribution, Kolmogorov-Smirnov and Shapiro-Wilk tests were used, and the results have shown that the probability value (P. value) or (Sig.) is less than 0.05, which means that data are not following the natural distribution in all variables, and this result is confirmed as Skewness does not approach (zero) and Kurtosis factor does not approach (3) for most variables. To address this problem, the natural log function has been used for these variables to approach normal distribution, and since the sample size is large, the problem that data is not following the normal distribution will not affect the validity of the study models, as the significance level of these variables was (0,000_).

*Linear Multicollinearity was also examined* by calculating the variance Inflation Factor (VIF) for each independent variable to measure the effect of correlation between independent variables. The VIF value for all study variables did not exceed (10) so the study model does not have Multicollinearity problems, the association between variables has no statistical significance and is very low, which indicates the strength of the model in interpreting and determining the effect of the independent variable on the dependent variables.

*Durbin-Watson test was also performed* to verify that there is no autocorrelation problem between the study variables. The Durbin-Watson values lies between the top tabular values and

four minus the top tabular values, indicating that the study models are not having autocorrelation issues.

**6.2 Descriptive Statistics for the Study Variables:**

Table 1 shows a description for the study's variables which are: dividend policy, company size, cash holding, leverage, growth opportunities, and profitability.

***Table (1) Descriptive statistics for the study variables***

| | Variable | N | Mean | Standard deviation | Minimum | Maximum | Range |
|---|---|---|---|---|---|---|---|
| **Ratio of cash dividends to total assets** | **DIVasset** | **285** | **.362** | **.095** | **. 137** | **. 483** | **. 315** |
| **Ratio of cash dividends to net sales** | **DIVsale** | **285** | **.395** | **.095** | **. 173** | **. 537** | **. 276** |
| **Company size** | **SIZE** | **285** | **9.72** | **1.725** | **4.725** | **11.936** | **7.361** |
| **Cash holding** | **CASH** | **285** | **.283** | **. 119** | **. 113** | **. 689** | **. 537** |
| **Leverage score** | **LEV** | **285** | **5.18** | **1.172** | **3.253** | **7.521** | **4.627** |
| **Growth opportunities** | **GROWTH** | **285** | **.263** | **.091** | **-.132** | **.495** | **.523** |
| **Profitability** | **ROA** | **285** | **.352** | **. 128** | **-.151** | **.396** | **.527** |

It is clear from table (1) that average cash dividends decreased during the study period, as the mean of the cash dividends to total assets ratio is (36.2%) with the maximum ratio amounted to (48.3%) while the minimum is (13.7%). The mean of cash dividends to net sales ratio is (39.5%), the maximum is (53.7%) and the minimum is (17.3).

As for the control variables, table (1) shows that the mean for the company size is (9.725), and the mean for cash holding (28.3%.), the average mean is (5.18), the mean for growth opportunities during the study period was (26.3%), as for the company's profitability, the mean is (35.2%).

***Table (2) Descriptive statistics for the study dummy variables***

| Binomial Test | | | | | |
|---|---|---|---|---|---|
| **Variable** | **Verified observations (1)** | | **Unverified observations (0)** | | **Sig.** |
| | **Number** | **Ratio** | **Number** | **Ratio** | |
| **GRO** | **93** | **33%** | **192** | **67%** | **0.00** |
| **MAT** | **102** | **36%** | **183** | **64%** | **0.75** |
| **DEC** | **90** | **32%** | **195** | **68%** | **0.00** |

From table (2), it is noted that there is an increase in the number of the companies' observations in maturity stage, as the number of observations at this stage is (102) company-year with (36%) compared to less observations in the growth stage amounted to (93) company-year and (33%) and the number of observations in the decline stage is (90) companies - year and for only (32%).

**6.3 Testing the Study Hypotheses:**

To test the validity of the study hypotheses, the correlation and regression analysis of the relationship between the independent variables and the dependent variable in the study models was performed using the Statistical Software Package (SPSS) as follows:

*First: Correlation Analysis:*

The Pearson Correlation coefficient was used to determine the strength and direction of the relationship between the stages of the company's life cycle and the dividend policy, table 3 shows the correlation matrix for the study variables.

***Table (3) Pearson Correlation link matrix for study variables***

| Variable | | DIVasset | DIVsale | GRO | MAT | DEC | SIZE | CASH | LEV | GROWTH | ROA |
|---|---|---|---|---|---|---|---|---|---|---|---|
| DIVasset | Corr | 1.000 | | | | | | | | | |
| | Sig | | | | | | | | | | |
| DIVsale | Corr | .963** | 1.000 | | | | | | | | |
| | Sig | .000 | | | | | | | | | |
| GRO | Corr | -.021* | -.042** | 1.000 | | | | | | | |
| | Sig | .005 | .007 | | | | | | | | |
| MAT | Corr | .872** | .891** | -.725** | 1.000 | | | | | | |
| | Sig | .000 | .000 | .000 | | | | | | | |
| DEC | Corr | -.792** | -.782** | -.423** | -.525** | 1.000 | | | | | |
| | Sig | .000 | .000 | .000 | .000 | | | | | | |
| SIZE | Corr | .923** | .912** | -.362** | .728** | -.658** | 1.000 | | | | |
| | Sig | .000 | .000 | .015 | .000 | .000 | | | | | |
| CASH | Corr | -.917** | -.901** | .327** | -.825** | .713** | -.927** | 1.000 | | | |
| | Sig | .000 | .000 | .011 | .000 | .000 | .000 | | | | |
| LEV | Corr | -.917** | -.895** | .321** | -.836** | .763** | -.932** | .902** | 1.000 | | |
| | Sig | .000 | .000 | .009 | .000 | .000 | .000 | .000 | | | |
| GROWTH | Corr | -.825** | -.863** | .195** | -.821** | .723** | -.675** | .795** | .863** | 1.000 | |
| | Sig | .000 | .000 | .025 | .000 | .000 | .000 | .000 | .000 | | |
| ROA | Corr | .825** | .913** | -.521** | .814** | -.823** | .825** | -.896** | -.893** | -. 766** | 1.000 |
| | Sig | .000 | .000 | .043 | .000 | .000 | .000 | .000 | .000 | .000 | |
| | Sig | .000 | .000 | .001 | .000 | .000 | .000 | .000 | .000 | .000 | .000 |

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

International Journal Of Accounting And Managment Sciences

THE SCIENCE PUBLISHING HOUSE

**Vol.1 No.1 July 2022**

*The correlation between the company's life cycle stages and dividend policy*, table (3) shows a negative correlation between the growth stage and dividend policy, whereas the correlation coefficient sign is negative for both the ratio of cash dividends to total assets and to net sales, and the level of significance is less than (0.05). While the maturity stage has a positive correlation with the dividend policy, and a significance level of less than (0.05). Finally, there is a negative correlation between the decline stage and dividend policy, as the correlation coefficient sign was negative for both the ratio of cash dividends to total assets and to net sales, and the level of significance is less than (0.05).

*The correlation between dividend policy and control variables*, the results showed a positive correlation between dividend policy and both the size and profitability of the company, where the correlation factor sign was positive for both the ratio of cash dividends to total assets and to net sales. While the ratio of dividend policy was negative to both cash holding, leverage, and growth opportunities where the correlation factor sign was negative for both the ratio of cash dividends to total assets and to net sales and significance level is less than (0.05).

*Second: Multiple Linear Regression:*

Ordinary Least Squares (OLS) for developing the regression model to measure the impact of the company's life cycle stages as an independent variable on the dividend policy as a dependent variable.

The following table shows the results of the multiple regression analysis for the relationship between the stages of the company's life cycle and dividend policy.

***Table (4) Results of multiple linear regression analysis***

| $Divasset_{it}$ / $Divsale_{it}$ = $\beta 0+\beta_1$(GRO it) + $\beta_2$ (MAT it) + $\beta_3$ (DEC it)+ $\beta_4$ (SIZE it)+ $\beta_5$(CASH it)+ $\beta_6$ (LEV it )+ $\beta_7$ (GROWTH it ) + $\beta_8$ (ROA it ) + $\varepsilon_{it}$ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Dependent variables** | **$Divasset_{it}$** | | | | | **$Divsale_{it}$** | | | | |
| | **Unstandardized Coefficients** | | **Standard Regression Coefficient** | | | **Unstandardized Coefficients** | | **Standard Regression Coefficients** | | |
| **Independent variables** | **B** | **Std. Error** | **Beta** | **T** | **Sig.** | **B** | **Std. Error** | **Beta** | **T** | **Sig.** |
| **(Constant)** | **0.245** | **0.062** | | **4. 124** | **0.002** | **0.214** | **0.085** | | **2.412** | **0.015** |
| **GRO** | **-0.032** | **0.011** | **-0. 123** | **-3. 152** | **0.041** | **-0.056** | **0.023** | **-0. 217** | **-3. 532** | **0.000** |
| **MAT** | **0.152** | **0.021** | **0.753** | **8. 231** | **0.000** | **0.231** | **0.021** | **0835** | **11. 214** | **0.000** |
| **DEC** | **-0.032** | **0.017** | **-0278** | **-4. 175** | **0.001** | **-0.092** | **0.027** | **-0. 423** | **-4.000** | **0.000** |
| **SIZE** | **0.015** | **0.003** | **0.425** | **7. 413** | **0.000** | **0.031** | **0.004** | **0.467** | **3. 500** | **0.000** |
| **CASH** | **-0.004** | **0.004** | **-0.006** | **-3. 280** | **0.042** | **-0.024** | **0.035** | **-0.032** | **-0. 231** | **0.012** |
| **LEV** | **-0.017** | **0.019** | **-0. 213** | **-2. 82** | **0.031** | **-0.008** | **0.002** | **-0.081** | **-2. 429** | **0.014** |
| **GROWTH** | **-0. 127** | **0.042** | **-0. 135** | **-3. 412** | **0.023** | **-0. 235** | **0.0850** | **-0. 256** | **-2. 681** | **0.005** |
| **ROA** | **0.134** | **0.043** | **0.195** | **3. 92** | **0.006** | **0.016** | **0.023** | **0.034** | **2.324** | **0.017** |
| **Multiple regression coefficient $R$ =. 631** | | | | | | **Multiple regression coefficient $R$ = .627** | | | | |
| **Coefficient of determination $R^2$ = . 546** | | | | | | **Coefficient of determination $R^2$ =. 528** | | | | |
| **Adjusted coefficient of determination $Adj\ R^2$=.523** | | | | | | **Adjusted coefficient of determination $Adj\ R^2$=.517** | | | | |

| | |
|---|---|
| **F-value extracted from the analysis of variance table (ANOVA) = 92. 13** | **F-value extracted from the analysis of variance table (ANOVA) = 83. 23** |
| **Probability value (Sig) = .000** | **Probability value (Sig) = .000** |

Table (4) shows that Adjusted R2 for cash dividends to total assets is (0.523), while for cash dividends to net sales it is (7.51), which reflects that the determination value of the model is high, as most changes can be explained through the model. As for the overall significance of the regression model used, it can is determined through the analysis of variance (ANOVA), where f-value was (96.44) at a significance level of (0.00) for dividend policy to total assets, and for net sales it was (83.23) with a significance level of (0.00), which shows a high significance level for the model used in the study and its validity for achieving the study objective.

From table (4) multiple regression analysis shows that the maturity stage has a significant positive impact on dividend policy, as the regression coefficient (β) sign was positive and the probability value (Sig = 0.000) which is less than the significance level of (0.05). This is in line with Flavin and O'Connor (2017) findings, which confirmed that dividends distributions are increased over the course of the company's life cycle but is peaked during the maturity stage and this is consistent with the reputation-building hypothesis, and with (Trihermanto & Nainggolan, 2020) findings which emphasized that the company in its early stages has significant investment opportunities but its capacity for cash flows is low so companies at this stage usually prefer to keep cash to finance their future projects, while matured companies are more profitable and have fewer growth opportunities so companies at this stage tend to pay dividends.

*The results also showed* a positive significant impact for both the company size and profitability on dividend policy, for either dividends to total assets or net sales, while there is a significant negative impact for cash holding, leverage and growth opportunities on dividend policy, where the probability value is less than the significance level of (0.05).

The regression model for the impact of the company's life cycle on dividend policy can be formulated as follows:

First: $Divasset_{it}$ model (ratio of cash dividends to total assets):

$$\widehat{\text{Divasset}}_{\mathbf{it}} = 0.245 - 0.032(\text{GRO}) + .152(\text{MAT}) - 0.032(\text{DEC}) + .015(\text{SIZE}) - .004(\text{CASH}) - 0.017\ (\text{LEV}) - 0.127(\text{GROWTH}) + 0.134\ (\text{ROA})$$

Second: $Divsale_{it}$ model (ratio of cash dividends to net sales):

$$\widehat{\text{Divsale}}_{\mathbf{it}} = 0.214 - 0.056(\text{GRO}) + .231(\text{MAT}) - 0.092(\text{DEC}) + .031(\text{SIZE}) - .024(\text{CASH}) - 0.008(\text{LEV}) - 0.235(\text{GROWTH}) + 0.016\ (\text{ROA})$$

**7. Findings, recommendations, and future research directions:**

Dividend policy is one of the financial decisions that have strategic impacts, often used by managers as a signal for the company's future performance and profitability. Dividend policy is influenced by many factors, including the company's transition from one stage to another during its life cycle, quality of corporate governance (board characteristics, ownership structure), company characteristics (profitability, free cash flows, growth opportunities, company size and level of risk).

The results of the study showed that the maturity stage in the company's life cycle has a positive and significant relation with the dividend policy, which confirms the validity of the first hypothesis and is consistent with the life cycle theory of dividend and the findings of (DeAngelo et al., 2006) and the findings of (Flavin & O'Connor, 2017). This can be explained through the fact that most companies at the maturity stage have higher profitability and lower investment opportunities, so these companies tend to pay dividends to reduce agency conflicts linked with free cash flows.

In addition, the results showed that dividend policy has a positive and significant relationship with both the size and profitability of the company, the correlation coefficient sign was positive for both the ratio of cash dividends to total assets as well as to net sales, while its relationship was negative with both cash holding, leverage, and growth opportunities, which consistent with both (Cheung et al., 2018) and (Choi et al., 2016) findings.

Based on the study findings, it is recommended that companies should pay more concern to the importance of the decision dividends distribution as one of the important decisions that can affect the company's objectives and value, Dividends decision can be used as a signal for the company's future profitability, to reduce the information asymmetry problem and to reduce agency conflicts. On the other hand, with high transaction costs companies may decide to retain profits for expansions and reinvestment purposes to achieve higher returns. Managers may also find it useful to understand in which stage their company are going through, as it may be undergoing systematic changes during its life cycle in operational, investment and financing activities, which will be affecting its dividend policy. For example, in the early stage's companies have lower profitability and greater growth opportunities, so they tend to retain cash, while at maturity stage companies have greater profitability and lower growth opportunities leading to increased dividends distribution.

Finally, researchers and companies, especially in emerging economies, are encouraged to analyse other factors influencing dividends distribution decisions such as political systems, legal protection systems, and tax avoidance practices. Another future direction related to the topic of dividend distribution is examining the relationship between cash dividend policy and the managerial ability of the board of directors. Also examining other financial and accounting implications of corporate lifecycle stages such as: tax avoidance, financial performance, quality of financial reports, audit fees, investment and financial policies, and corporate governance are crucial for companies operating in emerging economies.

**Reference:**

Al-Hadi, A., Chatterjee, B., Yaftian, A., Taylor, G., & Monzur Hasan, M. (2019). Corporate social responsibility performance, financial distress and firm life cycle: evidence from Australia. *Accounting and Finance*, *59*(2), 961–989. https://doi.org/10.1111/ACFI.12277

Anthony, J. H., & Ramesh, K. (1992). Association between accounting performance measures and stock prices. A test of the life cycle hypothesis. *Journal of Accounting and Economics*, *15*(2–3), 203–227. https://doi.org/10.1016/0165-4101(92)90018-W

Atanassov, J., & Mandell, A. J. (2018). Corporate governance and dividend policy: Evidence of tunneling from master limited partnerships. *Journal of Corporate Finance, 53*, 106–132. https://doi.org/10.1016/j.jcorpfin.2018.10.004

Benlemlih M. (2019). Corporate social responsibility and dividend policy". *Research in International Business and Finance, 47,* 114–138.

Bhattacharya, D., Chang, C. W., & Li, W. H. (2020). Stages of firm life cycle, transition, and dividend policy. *Finance Research Letters*, *33*(August). https://doi.org/10.1016/j.frl.2019.06.024

Brockman, P., & Unlu, E. (2011). Earned/contributed capital, dividend policy, and disclosure quality: An international study. *Journal of Banking and Finance*, *35*(7), 1610–1625. https://doi.org/10.1016/j.jbankfin.2010.11.014

Cheung, A., Hu, M., & Schwiebert, J. (2018). Corporate social responsibility and dividend policy. *Accounting and Finance*, *58*(3), 787–816. https://doi.org/10.1111/acfi.12238

Choi, J., Choi, W., & Lee, E. (2016). Corporate Life Cycle and Earnings Benchmarks. *Australian Accounting Review*, *26*(4), 415–428. https://doi.org/10.1111/auar.12100

Coulton, J. J., & Ruddock, C. (2011). Corporate payout policy in Australia and a test of the life-cycle theory. *Accounting and Finance*, *51*(2), 381–407. https://doi.org/10.1111/j.1467-629X.2010.00356.x

DeAngelo, H., DeAngelo, L., & Stulz, R. M. (2006). Dividend policy and the earned/contributed capital mix: a test of the life-cycle theory. *Journal of Financial Economics*, *81*(2), 227–254. https://doi.org/10.1016/j.jfineco.2005.07.005

Dickinson, V. (2011a). Cash flow patterns as a proxy for firm life cycle. *Accounting Review*, *86*(6), 1969–1994. https://doi.org/10.2308/accr-10130

Dickinson, V. (2011b). Cash flow patterns as a proxy for firm life cycle. *Accounting Review*, *86*(6), 1969–1994. https://doi.org/10.2308/ACCR-10130

Dickinson, V., Kassa, H., & Schaberl, P. D. (2018). What information matters to investors at different stages of a firm's life cycle? *Advances in Accounting*, *42*, 22–33. https://doi.org/10.1016/j.adiac.2018.07.002

Fama, E. F., & French, K. R. (2001). Disappearing dividends: Changing firm characteristics or lower propensity to pay? *Journal of Financial Economics*, *60*(1), 3–43. https://doi.org/10.1016/S0304-405X(01)00038-1

Flavin, T., & O'Connor, T. (2017). Reputation building and the lifecycle model of dividends. *Pacific Basin Finance Journal*, *46*(September), 177–190. https://doi.org/10.1016/j.pacfin.2017.09.006

Grullon, G., Michaely, R., & Swaminathan, B. (2002). Are Dividend Changes a Sign of Firm Maturity? *Journal of Business*, *75*(3), 387–424. https://doi.org/10.1086/339889

Habib, A., & Hasan, M. M. (2019). Corporate life cycle research in accounting, finance and corporate governance: A survey, and directions for future research. *International Review of Financial Analysis*, *61*, 188–201. https://doi.org/10.1016/j.irfa.2018.12.004

Hasan, M. M., Hossain, M., Cheung, A. W. K., & Habib, A. (2015). Corporate life cycle and cost of equity capital. *Journal of Contemporary Accounting and Economics*, *11*(1), 46–60. https://doi.org/10.1016/j.jcae.2014.12.002

Hsu, F. J. (2018). Does corporate social responsibility extend firm life-cycles? *Management Decision*, *56*(11), 2408–2436. https://doi.org/10.1108/MD-09-2017-0865

Kangarlouei, S., Hasanzadeh, A., & Motavassel, M. (2013). Life-Cycle Theory,Free Cash Flow and Dividend Policy in Firms Listed in Tehran Stock Exchange". *Journal of Commerce and Accounting Research*, *3*(1), 1–7.

Ni, X., & Zhang, H. (2019). Mandatory corporate social responsibility disclosure and dividend payouts: evidence from a quasi-natural experiment. *Accounting and Finance*, *58*(5), 1581–1612. https://doi.org/10.1111/acfi.12438

Rampershad, A., & Villiers, C. (2019). The Association Between Dividends and Accruals Quality. *Australian Accounting Review*, *29*(1), 20–35. https://doi.org/10.1111/auar.12215

Singla, H. K., & Samanta, P. K. (2019). Determinants of dividend payout of construction companies: a panel data analysis. *Journal of Financial Management of Property and Construction*, *24*(1), 19–38. https://doi.org/10.1108/JFMPC-06-2018-0030

Tee, C. M. (2019). CEO power and audit fees: Evidence from Malaysia. *International Journal of Auditing*, *23*(3), 365–386. https://doi.org/10.1111/ijau.12166

Trihermanto, F., & Nainggolan, Y. A. (2020). Corporate life cycle, CSR, and dividend policy: empirical evidence of Indonesian listed firms. *Social Responsibility Journal*, *16*(2), 159–178. https://doi.org/10.1108/SRJ-09-2017-0186

Yusof, Y., & Ismail, S. (2016). Determinants of dividend policy of public listed companies in Malaysia. *Review of International Business and Strategy*, *26*(1), 88–99. https://doi.org/10.1108/RIBS-02-2014-0030

Zadband, V. K., & Omrani, H. (2014). The Effect of Corporate Life Cycle on Financial Reporting Quality Companies Listed in Tehran Stock Exchange. *INTERNATIONAL JOURNAL OF MANAGEMENT & INFORMATION TECHNOLOGY*, *9*(2), 1564–1571. https://doi.org/10.24297/IJMIT.V9I2.666