

The impact of profits dividends policy on the market value of the shares of Saudi banks: A Case Study

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Abstract:

The study aimed to reveal the policy of profits distribution approved by the Saudi banks, and the potential impact of this policy on the market value of the shares of these banks, and the study was applied to all Saudi banks (12 banks in total), where the primary data for the study were collected from the annual reports of the banks under study, and from the annual reports of the Saudi Stock Exchange-trading by using percentages, averages, simple regression analysis test, Man-Whitney nonparametric testing to implement the applied study and testing the study hypotheses.

The most important results of the study are:

- 1. Ten Saudi banks apply profits detention policy more than distributing them, only AlRajhi and AlRiyadh banks implement the distribution more than the detention policy.*
- 2. The per share distribution interest has a statistically significant effect on the market value of the shares among the Saudi banks.*

The study suggested number of recommendations; the most important is that the Saudi banks are urged to prefer the distribution policy to non-profit detention policy due to its impact on the market value of the shares.

Key words: profits dividends policy, market value, shares, Saudi banks

INTRODUCTION:

Shareholders differ in their expectations towards profits as a result of owning shares in joint-stock companies; some of them are looking to get a regular cash dividends at the end of each fiscal period, and some of them seek to achieve capital profits and maximize the value of their investment by increasing the market value of the shares of these companies, whereas many of the shareholders seeks to achieve both goals together.

The market value of the shares plays an important role in maximizing the shareholders' funds of and attract some investors to invest in the organization shares which will reflect positively on the achieved capital profits, so we find that all joint-stock companies are striving to raise the market value of its shares and make it a strategic goals using its all possibilities to achieve (Al-Zubaidi , 2009).

Both goals— achieving capital profits or getting periodic cash profits at the end of each fiscal period— is linked to a large extent to the organization's policy in dealing with the profits earned through its operations in terms of the direction of the organization about the distribution of those profits or detention with a view to investment expansion with taking into account the ratio of required reserves to meet emergency situations (Jianguo and Nont, 2009).

The organization's dividends policy is affected by two important factors, which are: the willingness of shareholders to receive periodic operating profits that are distributed at the end of each fiscal period, and the willingness of the organization in increasing its capital invested in its current or expected activities (Hamid, 1993).

In the case of the desire of shareholders to receive periodic cash dividends each year, it will be reflected on the value of retained earnings, which in turn reflects on the equity capital value of the statement of financial position and thus on the carrying value of the shares.

On one hand, in case the shareholders temporarily demit the dividends, it will be added directly to the balance of retained earnings and so is considered an internal funding source the organization depends upon to finance its already in place or planned investment expansion.

On the other hand, in the case of the desire of the organization in the expansion of the invested capital, the organization has two options to finance this expansion: either to rely on internal sources (retained earnings), or rely on external sources (borrowing or introducing new shares on the stock market, and choosing one of these options must be done in light of the appropriate structure determinants for the organization private funding without interrupting the aim of maximizing the market value of the shares, which has been referred to as a common goal between the organization and its shareholders (Khan, 2011).

The contemporary financial events that led to the global financial crisis, have contributed to the transformation of the adoption of the idea of retained earnings as a means to achieve appropriate returns for shareholders by maximizing capital gains to embrace the idea of the distribution of profits in cash instead of detention as a means to achieve appropriate returns to shareholders to motivate them to keep their shares (Hindi, 2010).

This shift was also accompanied by a shift in the attention of researchers and scholars to this research in the importance of the dividend against the detention policy instead of all capital gains policy expressed in the market value of the shares, so this study is to shed light on the knowledge of to which extent dividends contribute to it in achieving change in the market value of the shares and achieving capital gains in Saudi banks during the period from (2009-2013).

THE PROBLEM OF THE STUDY:

The problem of the study can be determined through the following questions:

1. To what extent do Saudi banks rely on dividends rather than retention policy during the period from 2009-2013?
2. Does the per share dividend have an effect on the market value of the shares of Saudi banks during the period 2009-2013?
3. Do the branches of foreign banks differ from those of the domestic ones in their attitude towards the distribution of profits instead of retention?

THE SIGNIFICANCE OF THE STUDY:

The study highlights the importance of the following points:

1. The role banks play in the economic development of the countries, funding the national economy by providing various loans and credit facilities which reflect the importance of research and study in the policies banks use.
2. The economic importance of the market value of the banks' shares regarding the bank and investors, which is to maximize the wealth and to increase the value of the capital invested.
3. The importance of disclosure of the factors affecting the market value of the shares of Saudi banks as a strategic goal which those banks seek to achieve.
4. The importance of detecting the bank's policy in dealing with the profits earned from their operations depending on distributing or retaining profits as an investment indicator that a lot of investors care for when taking the appropriate investment decisions.
5. The importance of stating the impact of the distribution of profits policy on the market value of the shares as a catalyst for investment in the stock market.

6. It also highlights the importance of this study as a scientific contribution to the study of the extent of practice derived from financial statements published by banks under study, with the theory of dividend policy and its impact on maximizing the capital revenues of the shares, which are reflected on the market price for those shares being traded in the relevant securities exchange.

OBJECTIVES OF THE STUDY:

This study aims to achieve the following objectives:

1. Identifying to what extent Saudi banks adopt a dividend policy in exchange for retention during the period from 2009-2013.
2. Clarifying the potential impact of the per share dividend on the market value of the shares of Saudi banks during the period from 2009-2013.
3. Detecting whether there is a difference between the branches of foreign and domestic banks towards the distribution of profits instead of retaining them.
4. Contributing in assuring the compatibility extent of the theory of dividend policy and its impact on maximizing the capital revenues of the shares. (Relevance Theory of Dividend Policy) which states that distributing or retaining profits has the same effect on the market price of the shares, with the real practices through financial statements published by the Saudi banks are under study.

THE STUDY QUESTIONS AND HYPOTHESES:

In light of the problem of the study the following question will be answered as well as testing the hypotheses will be statistically mentioned afterwards using statistical measures to suit each of these hypotheses:

The first question: Do Saudi banks rely more on dividend policy than on retained earnings policy during the period 2009-2013?

The first hypothesis: No effect is statistically significant at the level of ($\alpha \leq 0.05$) for the independent variable dividend per share on the market value of the shares of Saudi banks from the actual financial statements published during the period 2009-2013.

The second hypothesis: there is no difference statistically significant at the level of ($\alpha \leq 0.05$) between the branches of foreign and local banks in adopting a dividend than in a retention policy.

THE THEORETICAL FRAMEWORK AND PREVIOUS STUDIES:

The concept of dividend policy:

The concept of dividend policy means the cash dividend payments that are distributed to ordinary shareholders according to the nonprofit organization and its liquidity (AbdulZahir, 2012).

The concept of dividend policy is also known as the method followed by the organization in the distribution of profits or retaining them for reinvestment, and the best policy for the distributions lies in those that work on balancing the budget between the current distributions and future profits which result in maximizing the share price and are expressed through cash dividends— any cash payments distributed to ordinary shareholders during a specified period (AbdulNabi, 2014).

The dividend policy is directly linked to choose one of two options — retaining or distributing profits, and the issuance of new shares to meet the needs of the organization of the funds— in other words dividing the profits made by the organization to profits that are being held and used as an

internal source of funding for investments the organization uses or a dividend submitted to shareholders to use them (Okpara, 2010).

Companies differ in their adopted profits distribution policy, since it depends one of the following conditions: (Van and Wachowicz, 2005)

1. The constant distribution policy: no matter how stable, rising or dropping profits are the organization holds a specific amount as a provision distribution when profits are high, this allocation for distribution is used when profits are low, and companies rely such a policy when the preference for fixed-income shareholders is stable against the possession of the shares of those organization for reasons of market price per share and being not negatively influenced by fluctuations in dividends and instability as well as the stability of dividends reduces the investment risks.
2. Variable distribution policy: This policy allows the distribution of a minimum of profits steadily (a certain number of times per year). Additional profits could be distributed at the end of the fiscal year if permitted by the results of the work (high profits) which leaves a positive impact on the shareholders' impression towards the policies pursued by the organization's management.

Factors affecting the dividend policy:

Some of the factors that drive companies to adopt a specific dividend policy are as follows (Omet and Khasawneh, 2002):

1. The need for the organization to distribute part of the revenues among the ordinary shareholders so that they can face the competition of companies which distribute dividends to its shareholders
2. The need to distribute some of the profits as shares revenues in order to encourage investors to subscribe to shares of the organization when they need to increase their capital.

The trade-off between the distribution and detention of profits:

The best policy for the distribution of profits is that maximizes the shareholders' wealth, and this policy is determined through the comparison of investments available to the organization and the opportunities available to shareholders outside the organization to reinvest the profits they receive in dividends from the organization, if the rate of revenues on the investment of these retained earnings by the organization is higher than the rate of that which can be earned by the investor—if the investor himself invested his dividends—we find that the investor would prefer the organization to retain those profits and reinvesting rather than distributing them (Mansor and Syuhada, 2009).

For example, if the organization has been able to invest these profits at a rate of 25% while the best revenue that an investor can get in the case of dividends is 15% the profits within the organization are preferred to be retained and vice versa.

The market value of the shares and their relationship to the dividends

The market value of the shares means the market value of the shares in which the share is sold by in the stock market. This value might be more or less than the par value (the value written on the share when issued), or the carrying value—the value written of a share in the organization's books—the value of the market is supposed to reflect the true assessment per share, as it depends on the revenue which is expected to generate as a result of owning it, this means that it depends on the value of any capital profits (the difference between the market value and the par value) and dividends that are expected to be earned by the investor (Sisi, 2014).

There are several theories attempted to explain the relationship between dividends and market value of the shares;

the most important of these theories are as follows (Al-Malkawi et al, 2010):

1. Dividends Irrelevance Theory:

This theory believes that the investor does not care about the dividends policy pursued by the organization, where this theory assumes that the organization value is determined in accordance with income earned and not on the basis of the dividends policy, in practical life the investor is not affected by the dividends policy, in the dividends case and when the investor does not need to cash it, the investor will buy—using his dividends— other shares, while in the case of non-distribution of dividends and the investor needs cash money, he will sell some of the stock to get that cash. Thus, it is obvious that this theory believes in that there is no relationship between the ratio of dividends and the market price of the shares (Magni, 2007).

2. Bird in the Hand Theory:

This theory believes that investors prefer companies that distribute a high proportion of cash dividends because they are not sure of the assured future earnings, and because that the value of received per unit of cash is now far better than the value of the monetary unit received in the future, thus, according to this theory, there is a direct correlation between the percentage of distributions and changes in stock prices (Alzomaia and Al-Khadhiri, 2013).

3. Tax Preference Theory

This theory assumes that investors prefer the low-dividend ratio companies to of high-dividend ratio companies due to the higher tax on the dividend ratio compared to that on capital earnings ratio, so whenever the distribution ratio decreases the investor achieves tax savings, and based on this theory, there is

an inverse relationship between the rate of dividends and changes in stock prices(Al-Malkawi et al, 2010).

LITERATURE REVIEWS:

Some of the most important relevant literature studies concerning the subject of this study have been found and studied includes:

Arabic Studies:

1. Study (Althahir, 2003)."Dividend policy and its impact on the market share price of the stock for the shares traded on the Amman Stock Exchange ".

The study aimed at determining the significance of the role played by the dividends of profits in the Jordanian commercial banks in the market value of the bank's policy report. The study concluded the following results:

- I. There are no uniformed policies pursued by banks for the dividends of profits and the policy pursued in each bank is subject to change from time to time.
- II. The direction of the relationship between the average stock market price of each of the per share dividend and the share of retained profits and statistical significance varies from one bank to another.
- III. The relationship between the dividends policy of profits for all sample banks during the study period and the share price in the market is a direct correlation, meaning that each of the per share dividend and retained which constitute the dividend policy are in direct proportional to the share price in the market profits.
- IV. The dividends profits have greater impact on the share price compared to that of the retained

earnings, that is, the increase in a single share of the dividend adds a greater amount to the stock price than that of the increased earnings per share of the retained earnings.

2. Study (Zu'rob and Shirab, 2007). “The impact of the announcement of the dividend on the shares of companies listed on the Palestine Exchange.”

The study aimed to identify the most important variables that affect the shares traded on the Palestinian stock market prices, this study has concluded the following results:

- I. The earnings per share affect the stock market price.
- II. The per share cash dividends is greatly affected compared to the earnings per share of retained earnings on both the price and the values of stock trades in the market.
- III. The per share of net profit is more than the change in the market price being traded.

3. Study (AlBarajneh, 2009). “Testing the relationship between the distribution of profits and the market and carrying value circulated in Palestine Exchange shares.”

The study focused on examining the relationship between the distribution of profits and market value policy and the carrying amount of traded companies listed on the Palestine Exchange of shares, this study has concluded that there is a statistically significant relationship between the distribution policy and market value as well as the carrying amount of shares traded.

4. Study (Althab, 2009). “Studying the impact of the financial structure and dividend policy on a quoted enterprise value of the stock exchange.”

The study aimed to examine the impact of each of the financial structure and dividend policy on the enterprise value listed on Kuwait Stock Exchange, where this study was conducted on all sectors of the companies listed on the Kuwait Stock Exchange, except for the financial sector, the study concluded that there is a statistically relevant correlation for each of the financial structure and dividend policy on enterprise value, and the impact of the distribution policy of profits to the enterprise value is more than the impact of the financial structure.

5. Study (Khokhi, 2011). “Studying the effect of the distribution of profits to the enterprise value of the listed stock exchange policy.”

The study focused on examining the impact of distribution policy of profits of the organization value listed in Dubai Stock Exchange, where the study was conducted on all sectors of the Dubai listed securities companies with the exception of the financial sector, the study concluded that there is a statistically significant relationship between the distribution of profits and the value of the institution's policy.

6. Study (Abdulwahab and Houriah, 2011). “The impact of the distribution policy of profits on the value of listed companies indexed in the CAC40, a statistical analysis over the period 2007-2009.”

This study aimed to identify the extent of the impact of dividends policy on the value of the index CAC40 institutions in the light of the existence of other financial decisions, the distribution of profits policy was represented by three variables: dividends, stock repurchase, and earnings per share, using experimental study, the impact of these variables on the institution value has been studied represented by an the average value of the stock market price during the period of study, the impact of the media content of this policy on the value of the effect of using the event study has also been examined.

The study concluded that the policy of cash distributions has an effect on the value of the institution, and there is no effect of the stock repurchase, and earnings per share on the value of the enterprise, as well as there is no effect of media content policy on the market value.

7. Study (Ramadani, 2012). “The impact of the distribution policy of profits on the quoted enterprise value of financial market: a case study of a sample of quoted in Amman Stock Market enterprises during the period 2008-2010.”

The study aimed to determine the effect of dividends policy on quoted enterprise value in the Amman Financial Market, where the effect of the distribution of profits has been studied through the indicators of earnings per share policy, and earnings per share of cash distributions using simple and multi linear regression, where the study concluded that the impact of the policy distribution of profits to the enterprise value does exist through the influence of earnings per share on the market value per share, and denied the existence of the impact relationship of cash distributions on the enterprise value.

8. Study (Abdul Qadir and Isa, 2013). “Determinants of the distribution policy of profits in the Algerian private institutions.”

This study aimed to reveal the determinants of the profits proportion distributed in the form of earnings per share in the Algerian private enterprise using statistical models to analyze the influential relationship between the number of variables and the dividend ratio, the study concluded that the determinants of the proportion of the profits distribution of earnings per share in the Algerian private institutions is the overall profits of the institution and the tax on corporate profits, while short-term debts and the reserves are considered delimiters which can be relied upon only to distinguish between

the Algerian private institutions that distribute and undistribute earnings per share.

Foreign Studies:

1. Kibet, W. T., Eldoret, J. A., and Ndede, F.W. S (2016). "Effects of Dividend Policy on Share Price of Firms Listed at the Nairobi Securities Exchange, Kenya." *Research Journal of Finance and Accounting*. Vol.7, (8). 220-230.

Dividend policy is a widely researched topic in the field of corporate finance; however, it still remains a mystery as to whether dividend policy affects the share prices of quoted firms. During the period under review (2001- 2011), share prices of listed firms in the Nairobi Securities Exchange severely fluctuated making it difficult for investors to make informed investment decisions. The general objective of this study was to investigate the effect of dividend policy (cash and share dividend) on the stock prices, specifically, the study sought to establish the relationship between cash dividend and the share prices and to determine the relationship between share dividend and share prices of firms listed at the Nairobi Securities Exchange. The data set consisting of volume weighted average price as dependent variable and cash dividend per share and share dividend per share as independent variables were collected using data collection schedules for 55 companies sampled for the study. Secondary data was obtained from Nairobi Securities Exchange, Capital Market Authorities, Kenya Bureau of Statistics and from sampled companies for a period between the years 2001 and 2011. Ordinary Least Square diagnostic tests were run to ascertain the suitability of the model and the results showed that the model was suitable for estimation since it did not suffer from multicollinearity, heteroscedasticity and non-normality problems. Random Generalized Least Square regression analysis was carried out with the help of STATA at five percent level of significance. The results of the market

indicated that there was a statistically significant positive relationship between cash dividend and share prices while there was statistically insignificantly negative relationship between share dividend and share prices. This implied that dividend policy affects the share price and that increase in cash dividend would result in increase in share price for companies listed at the Nairobi Securities Exchange, Conversely, an increase in share dividend would result in an insignificant decrease in share price for companies listed at the Exchange. The results of the study confirmed relevance of dividend policy on firm's value. Based on the findings of the study, it was recommended that the management of Capital Markets Authority of Kenya should amend Cap 485A Laws of Kenya and other relevant laws and regulations and ensure enforcement of those laws among other measures to guarantee consistent practices by listed firms that lead to efficiency in the market for the benefit of the investors. Further, the management of listed firms should consider adoption of cash dividend policy more than share dividend as a strategy aimed at increasing the value of the firms due to its positive effect on the share price. If this is done consistently, the shareholders' wealth would be maximized in the long run. It is thus recommended that further research could be conducted to establish whether macroeconomic variables affect equity price for firms listed at the Exchange

2. Rihanat, I. A., Abdullah, N. A. and Chyuan, W.W. (2015). "Dividend Policy Changes In the Pre-, Mid-, and Post-Financial Crisis: Evidence From the Nigerian Stock Market." *Asian Academy of Management Journal of Accounting and Finance*, Malaysia: 11 (2): 103–126.

This paper examines the impact of the global financial crisis on Nigerian listed firms' dividend policies. Our findings indicate that firms adjust their dividend policies in a manner consistent with the need to preserve financial flexibility and

mitigate going concern risks during the crisis period. Specifically, highly leveraged firms and firms with low cash flows are more likely to omit dividend payments during the crisis. Moreover, the negative effects of foreign ownership on dividend payments during the pre-crisis are muted during the crisis. This suggests that the tax-induced clientele effect became irrelevant as cash dividends became the first order of business for foreign investors during the crisis. In the same vein, prevailing investor demand for cash dividends exerts a positive influence on firms' probability to increase dividends during the crisis, implying that markets attach a high valuation to firms that are able to pay during the crisis period. We also find support for past dividends as a reference point for current dividend decisions in both the crisis and non-crisis periods, although the relation is weakened during the crisis. This implies that some managers strive to maintain stable dividends during the crisis period. Nevertheless, their ability to do so weakens during this period

3. Adediran, S. A. and Alade, S. O. (2013). "Dividend Policy and Corporate Performance in Nigeria." *American Journal of Social and Management Sciences*. USA. 4(2): 71-77.

Dividend policy occupies a major role in the financial management of an organization. Dividend policy serves as a mechanism for control of a managerial opportunism. The objective of the study is to ascertaining the relationship between dividend policy and corporate profitability, Investment and Earning Per Shares. Data for the study were extracted from annual report and accounts of twenty five quoted companies in Nigeria. These data were subjected to regression analysis, using e-view software and the findings indicate that; there is a significant positive relationship between dividend policies of organizations and profitability, there is also a significant positive relationship between dividend policy and investments and there is a significant positive relationship

between dividend policy and Earnings Per Share. It is recommended that Organizations should ensure that they have a good and robust dividend policy in place because it will enhance their profitability and attract investments to the organizations.

4. Study (Omet & Khasawneh, 2002). "Funding patterns, dividends policies, and growth opportunities: Jordanian companies data analysis."

The study aimed to test the impact of financial leverage and dividend policies on the property market value, both in the case of the existence of profitable growth opportunities or not, where the study was conducted on 41 companies listed on the Amman Stock Exchange, the study concluded that both variables (financial leverage and dividend policies) have an impact on the property market value in case there are profitable growth opportunities.

5. Study (Chang, et. al, 2008). "The relationship between the market price per share and earnings per share: Taiwan market data."

This study aimed to investigate the relationship between stock prices and the share of the profits per share and learn about the relationship between the rate of growth in operating income and the degree of the impact of earnings per share on shares listed in the Taiwan Stock Exchange prices during the period 1996 -2006.

The study concluded that the stock prices have a joint integration relationship within the share of the income of a single share, while there is no co-integration relationship between individual stocks and the share prices of one share of the profits.

6. Study (Mansor, Syuhada, 2009). "Estimates of multiple causal variables: dividends, expected price / earnings per share, and financial revenues."

The study focused on identifying the type of relationship in the long and the short term between the rate (dividends / price, and earnings per share) and the stock revenues in Malaysia Stock Exchange during the study period from 1989 to 2005. The study concluded that there is a strong positive relationship between those variables and stock revenues over the long term, and that there is a significant positive correlation between the dividend rate / price and the revenues of the stock over the short term.

7. Study (Nazir & Nawaz, 2010). "Determinants of the fluctuations of stock prices at Karachi Stock Exchange: the role of the distribution policy of profits in enterprises."

The study aimed at detecting the determinants of the fluctuations of the market stock prices of companies listed on Karachi Stock Exchange and the role of the distribution policy of profits in those fluctuations, 73 companies in Karachi Stock Exchange were chosen during the period from 2003 to 2008, the study concluded that there is a statistically significant relationship between the dividend policy and fluctuations in the price.

8. Study (Khan and Aamir, 2011). "Can the decisions of the distribution of profits affect stock prices: the case study of the profits of listed companies in Kuwait Stock Exchange."

This study aimed to investigate the effect of the distribution policy on the market value of the shares in the Kuwait Stock Exchange. Researchers have used multiple regression method on a sample of 55 companies of listed companies during 2001-2011, and reached to the presence of a statistically significant relationship refers to the impact of each of the (distribution revenues (dividend revenues) and earnings

per share and return on equity and income after taxes) on the value of the stock market.

THE STUDY METHODOLOGY:

The study relies on a the descriptive approach based on the collection of data from primary and secondary sources and then analyzing them using appropriate statistical methods, theoretically the study relied on previous literature in building a theoretical framework for the study where the concept of distribution of profits, the concept of distribution policy of profits, the most important policies pursued by organizations, and the concept of market value and its importance for investors and shareholders were clarified, as well as the interpretation of the relationship between the distribution policy of profits and market value of the shares according to several theories have been discussed in the previous literature.

Practically, the study relied on the available data in the annual reports published by the Saudi banks under study, as well as the annual reports of the financial market (Trading) during the period (2009-2013) where the data were collected and analyzed. The hypotheses were tested using (SPSS), and then drawing conclusions and making recommendations that fit with those results.

The study population:

The study population consists of all the 12 Saudi banks, including four branches of foreign banks and eight local banks according to data from the Saudi Arabian Monetary Authority. The study will rely on the comprehensive inventory of the items of the community method, and based on that the research community represents the following banks (SAMA, 2014):

Table (1)

The study population

S.	Name of Bank	S.	Name of Bank
1.	National Commercial Bank	7.	Albilad Bank
2.	Saudi British Bank	8.	Bank Al Jazira
3.	Saudi France Bank	9.	AlRiyad Bank
4.	Saudi Hollandi Bank	10.	SAMBA
5.	Saudi Investment Bank	11.	AlRajhi Bank
6.	Arab National Bank	12.	Allnma Bank

THE LIMITS OF THE STUDY:

This study relies on the comprehensive inventory method of all Saudi banks listed on the Saudi Stock market (Trading) and the available data in the annual report of the market where the study included 11 banks¹distributed among the branches of foreign and local banks. Concerning the time limits the study has covered the period between 2009-2013, which is sufficient to test the hypotheses and answers the problem of the study.

THE STUDY VARIABLES AND PROCEDURAL DEFINITIONS:

The dependent variable: market value per share: represented by the market value per share that has been obtained from the published data of the financial market (TADAEL) at the end of each calendar year for the shares of the banks under study during the years (2009-2013).

The market value per share: the total average market value at the end of the year / number of shares traded on the exchange.

Independent variable: Dividend Policy: the method followed by the bank in the distribution of or retention of the profits for reinvestment purposes, and the best policy for the distributions

¹ The researcher was unable to obtain data for the National Commercial Bank on the market value of the shares, neither in the annual financial reports of the Saudi market, nor in the financial reports published by the bank.

lies in those that work on the balance between the current distributions and future profits which result in maximizing the share price and is expressed through per share distributions in the calendar year.

The practical framework of the study

The practical framework of the study is based on analyzing data collected from the annual reports of the banks under study and the annual fiscal reports of the Saudi market (Trading). It also includes a descriptive analysis of data to find out the reality of the situation with regard to the dividends policy of profits adopted by the Saudi banks and to answer the key question in the study, as well as to test the hypotheses and draw conclusions and discussion to determine the relationship between the adopted dividends policy and the market value of the shares of Saudi banks.

Table (2)

Dividends and retained earnings at Saudi banks during the study period 2009-2013

Bank	Year	Distributed profits	Retained profits	The largest profits	Proportion of dividends to retained profits
AlRajhi	2013	2250000	4086423	Retained	55%
	2012	3850000	1148436	Dividend	335%
	2011	3750000	32279	Dividend	11617%
	2010	3000000	205905	Dividend	1457%
	2009	2577459	744248	Dividend	346%
Saudi France	2013	810000	3884748	Retained	21%
Albilad	2012	0	3407783	Retained	0%
	2011	0	3764467	Retained	0%
	2010	800000	2169588	Retained	37%
	2009	990000	833868	Dividend	119%
AlRiyadh	2013	0	535547	Retained	0%
	2012	0	8110221	Retained	0%
	2011	0	316458	Retained	0%
	2010	0	69240	Retained	0%
	2009	0	0	Dividend	0%
	2013	0	535547	Retained	0%
SAMBA	2013	1400000	1957384	Retained	72%
	2012	1125000	1372055	Retained	82%
	2011	1275000	872518	Dividend	146%
	2010	1121000	610504	Dividend	184%

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	2009	1135000	513034	Dividend	221%
AlAhi	2013	1645573	9699260	Retained	17%
	2012	1495975	7051299	Retained	21%
	2011	1495975.00	5226884	Retained	29%
	2010	1495975	3807791	Retained	39%
	2009	2243963	3061538	Retained	73%
Arab National	2013	425000	2622124	Retained	16%
	2012	850000	1579657	Retained	54%
	2011	850000	1066440	Retained	80%
	2010	650000	2705637	Retained	24%
	2009	650000	2265638	Retained	29%
Alinma	2013	0	1197992	Retained	0%
	2012	0	1338775	Retained	0%
	2011	0	788906	Retained	0%
	2010	0	465406	Retained	0%
	2009	0	454006	Retained	0%
Saudi British	2013	1100000	3809030	Retained	29%
	2012	1000000	2078676	Retained	48%
	2011	562500	3148439	Retained	18%
	2010	562500	1544613	Retained	36%
	2009	0	694749	Retained	0%
Saudi Hollandi	2013	468342	915348	Retained	51%
	2012	444528	1051286	Retained	42%
	2011	377055	556077	Retained	68%
	2010	0	820691	Retained	0%
	2009	0	228260	Retained	0%
Saudi Investment	2013	477500	1085313	Retained	44%
	2012	416600	597979	Retained	70%
	2011	324500	330542	Retained	98%
	2010	0	1124436	Retained	0%
	2009	44490	803101	Retained	6%
Aljazira	2013	0	896396	Retained	0%
	2012	0	381997	Retained	0%
	2011	160000	6278	Dividend	2549%
	2010	0	48779	Retained	0%
	2009	0	27867	Retained	0%

*The source: prepared by the researcher depending on the financial statements published in the annual fiscal reports of the Saudi Arabian Monetary Authority and the banks under study.

First: What is the dividends policy of profits adopted by Saudi banks'?

It is noted from the data in Table No. (2) that most Saudi banks tend more toward retaining profits than distributing them during the study period. Some of these banks did not distribute any of its profits—Albilad Bank and Alinma Bank, other banks distributed profits at low rates, and only Al-Rajhi and AlRiyadh bank adopt a policy that tends toward the distribution of profits

where the dividends of these banks were often more than the retained profits.

Therefore; the main question of the study can be answered: Do Saudi banks rely more on the dividend policy than on the retained earnings policy during the period 2009-2013?

Thus, it can be summed up that the Saudi banks often tend more toward the detention policy of profits than to the dividend profits policy, and this applies to all banks under study, with the exception of AlRajhi and AlRiyad banks.

Second: Testing the hypotheses:

To test the hypotheses of the study, the data in Table No. (3)—which represent the variables of the study (per share dividend, the market value of the banks’ shares)— will be used.

**Table (3)
Dividend per share and the market value of the shares of Saudi banks during the study period 2009-2013**

Code	Bank	Year	Per dividend share	Market value per share
	AlRajhi	2013	2	78
		2012	3.5	73
		2011	3.25	74
		2010	2.75	80
		2009	3	73
	Saudi France	2013	0.45	34
		2012	1.2	34
		2011	0	44
		2010	1.7	44
		2009	1	42
	Albilad	2013	0	31
		2012	0	28
		2011	0	19
		2010	0	19
		2009	0	21
	AlRiyadh	2013	1.18	26
		2012	1.3	24
		2011	1.4	25
		2010	1.25	26
		2009	1.3	26
	Samba	2013	1.5	52
		2012	1.65	49
		2011	1.65	52

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		2010	1.55	59
		2009	1.65	52
	Arab National	2013	1	30
		2012	1	29
		2011	1	30
		2010	1	37
		2009	1	43
	Allnma	2013	0	14
		2012	0	13
		2011	0	10
		2010	0	11
		2009	0	13
	Saudi British	2013	1	40
		2012	0.92	33
		2011	0.65	41
		2010	0.68	39
		2009	0	46
	Saudi Hollandi	2013	1	36
		2012	1	27
		2011	1	29
		2010	0	30
		2009	0	31
	Saudi Investment	2013	0.8	24
		2012	0.7	18
		2011	0.5	18
		2010	0	22
		2009	0	18
	AlJazira	2013	0	31
		2012	0	26
		2011	0.5	18
		2010	0	16
		2009	0	20

*Source: prepared by the researcher, depending on the financial statements published in the annual fiscal reports of the Saudi Arabian Monetary Authority and the banks under study.

The first hypothesis: There is no statistically significant effect at the level of ($\alpha \leq 0.05$) for the independent variable for the dividend per share on the market value of the shares of Saudi banks from the real fiscal statements published during the period 2009-2013.

To test this hypothesis simple regression analysis will be used to test the relationship between the independent variable (dividend per share) and the dependent variable (market value of the shares).

Table (4)

Simple regression of the impact of the dividend per share on the market value of the shares

Independent Variables	B	T	Sig
Dividends per share	16.065	10.072	.000*
Adj R ² =0.65 R ² =0 .657 F= 101.454		Sig = 0.000	

The explanatory power of the model:

The value of the explanation factor (R²) is (0.657), and the average explanation factor (Adjust R2) is (0.650), this means that the independent variable is responsible for (65.7%) of the change in the dependent variable (market value) and the rest is due to other factors, including random error.

The total morale of the form:

Results contained in Table (4) indicated that the independent variable in the model significantly affect the market value of the shares as the value of P-Value of the statistical (F) is (0.000), which indicates the presence of the impact of a statistically significant independent variable on the dependent variable and the model is valid for the test, which it means that the regression coefficient is different from zero.

Partial morale of the form:

To test the morale regression coefficient of the value of P-Value of a statistical (T) will be used, where the incoming data stated in the table above indicate that the independent variable significantly affects the dependent variable (market value) on the basis of the value of (T) and the level of significance was less than the approved morale level (0.05).

The decision:

Therefore; the null hypothesis of the model is rejected and the alternative hypothesis is accepted which assumes that the form is morale, which means that there is a significant effect of the independent variable dividend per share in the form on the variable of the market value of the shares.

The second hypothesis: there is no statistically significant difference at the level of ($\alpha \leq 0.05$) between the branches of foreign and local banks in adopting the dividend policy in exchange for its detention.

To test this hypothesis, the average of each of dividends and retained earnings for each bank—of Saudi banks in the present study (12) banks during the study period— will be calculated and then the banks will be classified to local banks and foreign banks, as well as they will be classified to banks that adopt dividend policy— if the average dividend is more than the average profit retained, or to banks tend towards the detention of profits—on the contrary, the data presented in table 5 shows that.

Table (5)
Average dividends and retained earnings of the banks under study

Bank	Nationality Classification	Average of dividends profits	Average of retained profits	Dividends policy classification
AlRajhi	Local	3085492	1243458	Dividends
Saudi France	Foreign	520000	2812091	Retention
Albilad	Local	0	1806293	Retention
AlRiyadh	Local	1211200	1065099	Dividends
SAMBA	Foreign	850577.8	11062229	Retention
AlAhli	Local	1675492	5769354	Retention
Arab National	Local	685000	2047899	Retention
AlInma	Local	116772.6	849017	Retention
Saudi British	Foreign	645000	2255101	Retention
Saudi Hollandi	Foreign	257985	714332.4	Retention
Saudi Investment	Local	252618	788274.2	Retention
AlJazira	Local	32000	272263.4	Retention

*Source: prepared by the researcher, depending on the financial statements published in the annual fiscal reports of the Saudi Arabian Monetary Authority and the banks under study.

After the data preparation (Mann-Whitney) test will be used to test the differences between local and branches of foreign banks in the dividend policy adopted, and the results were as follows:

Table (6)

Test results (Mann-Whitney) to test for differences between domestic banks and branches of foreign banks in the dividend policy adopted

Independent Variable	Categories	Average	Standard Deviation	Salary Average	Samples Size	Mann-Whitney Value	Z Value	Level of Test Indicator (sig)
Dividends of Profits Policy	Local Banks	1.75	0.16	6.00	8	12.00	-1.049	.294
	Foreign Banks	2.00	0.00	7.50	4			

After reviewing the level of significance of the Z value, we find that the value of sig is (.294) which is more than 0.05 with respect to the distribution of profits policy we accept the zero hypothesis that assumes the absence of statistically significant differences due to the variable bank type (local, or foreign). Given the average rank of each of the local banks and branches of foreign banks, it is clear that the foreign bank branches degrees are higher than the local banks with regard to dividend policy where it was found that all the branches of foreign banks tend toward the detention policy, as well as most local banks tend toward detention.

CONCLUSION:

With reference to the results of the practical study, it is clear that the Saudi banks often tend to detention profits policy rather than to the dividends of profits policy, as in 10 out of 12 banks the retained earnings exceed the dividends during the study period; showing a positive statistically significant effect at the level of significance of 5% for the variable per share dividend on the market value of the shares traded on the Saudi stock Exchange banks variable. The more the per share dividend increases the market value of the shares increases, and vice versa.

Based on what has already been shown this means that the relationship between the distribution of profits followed in Saudi banks and the market value of the shares of these banks policy can be interpreted based on the theory of bird in the

hand (Bird in the Hand Theory) which assumes that investors prefer companies that distribute a high proportion of income because they reduce the future uncertainty case accompanying the future earnings.

Finally, the study showed that the bank's variable type (local or foreign) does not affect the distribution of profits policy followed in Saudi banks.

Based on this study the following recommendations are provided:

1. Urging Saudi banks to increase the dividends of profits policy distributed to the shareholders and not to adopt the detention of profits on dividends so as to encourage the public to invest money in the market.
2. Urging the Saudi banks to take advantage of Al Rajhi Bank experience in the dividend policy, which is reflected on the market value of the shares where it was high compared with the market value of the shares of the other banks.
3. Working to increase investment awareness among investors through holding seminars and educational sessions to the public and encouraging the public to invest in the Saudi stock market.
4. Working on the activation of the state of supply and demand within the Saudi stock market, which in turn reflects the increased fame of that market and to increase public knowledge.

Future research:

The researcher suggests the following points for further research in this area:

1. The application of the study on the Egyptian banks.
2. The application of the study on universal banks.
3. The application of the study on joint-stock companies according to specific criteria.

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