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**IMPACT OF DIVIDEND POLICY ON STOCK PRICE
VOLATILITY OF SHARIAH AND NON-SHARIAH
COMPLIANT COMPANIES**



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**IMPACT OF GREEN RECRUITMENT ON VOLUNTARY WORKPLACE
GREEN BEHAVIOR THROUGH MEDIATING ROLE OF GREEN
SUPPORTING CLIMATE IN AN EDUCATIONAL SECTOR OF
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DEDICATION

I dedicate this piece of work to our families, especially my parents who have left no stone unturned in the progress of our careers and academics. This is dedicated to my parent's hard work and constant dedication in making me blossom well and succeed well throughout our whole lives which has finally put me able enough to execute this project.

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Abstract

The research paper brings in account a thorough analysis of literature available to draw relation between the variables and determinants such as dividend policy, stock price volatility and stock price, GDP, and size of shariah/non-shariah compliant companies. Corporate dividend policy is an essential topic for both shareholders and company management since sudden changes in stock prices signal the stock's riskiness. The primary goal of this research is to assess the effects of dividends policies on the volatility of financial sector stock prices of shariah and non-shariah compliant companies.

KEY WORDS: Dividend policy, Stock Price, Stock Price Growth, Size, GDP growth

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CHAPTER 1

Introduction

Firm esteem, also alluded to as company value, could be a degree of a company's financial worth at a certain point in time (Subanidja, Rajasa, Suharto & Atmanto, 2016). Within the modern period, businesses struggle to monopolize a market for a product or benefit, whereas budgetary directors' endeavor to form complex choices about ventures and financing that maximize company value. Firm value is troublesome to maximize since it is based on different variables that are outside management's supreme authority.

These firm-value drivers are impacted by a variety of macroeconomic factors and are not firm-specific (Saona & San-Martin, 2018). Inflation, rate of interest, currency rates, and the pace of financial development are all imperative macroeconomic components that affect commerce value. As a result, in each given financial setting, financial managers focus on maximizing corporate esteem through successful administration of firm-specific factors.

The quick development of Islamic funds is likely to proceed as a result of the strong financial development in countries with a Muslim population of more than 1.6 billion individuals. Islamic banking is related to businesses that follow Sharia law, standards, and benchmarks (IMF, 2017). Islamic financial specialists are enthusiastic to contribute to values that follow Shariah standards. Firms categorized as Shariah must fulfill what was some time recently screening criteria, which incorporate but are not limited to the source of profit, commerce yield, and other budgetary markers. Ashraf (2016). Besides, recorded Shariah-compliant ventures see an increment in request for their values as the Islamic community develops, concurring to Hooy and Ali (2017).

Previous considerations on the subject reveal that profit approach, capital structure, corporate administration standards, and proprietorship concentration all impact trade value (Saona & San-Martin, 2016). Past research on the drivers of trade esteem, however, does not allow much information within the setting of Shariah-compliant firms in rising South Asian countries. Shariah-compliant firms are those whose operations and budgetary structure follow conventional Islamic standards and teachings (Azmat, Skully & Brown, 2014). Since Pakistan is an Islamic nation, Shariah Compliant undertakings are continually creating as many entrepreneurs as possible and

people within the common open select to lock in with such commercial organizations over conventional ones.

1.1 Background

Dividend policy represents a topic of discussion for researchers, particularly those working in the field of corporate finance, although for many years, it has been unclear how dividend policy affects stock price volatility. Modigliani (1958) introduced the topic and argued that the sole factor affecting a company's stock price volatility is its ability to generate income, and that the firm's valuation has no bearing on its dividend policy. Since stock price volatility directly impacts shareholders' wealth, the argument has received more attention from researchers in recent years. Numerous academics and economists have investigated the relationship between dividend policy and its effects, and they have presented a variety of findings. The goal of this study is to ascertain how dividend policy and stock price volatility are related.

Dividend is the distribution of earnings of a company on the investment made by the shareholders. Dividend policy describes the distribution to be made to shareholders, what amount to be paid and when to be paid. Dividend policy is one of the main researched variables in finance, but the question, how much dividend policy affects stock price still remains unanswerable among managers, researchers, investors and policy makers of the company. Dividend policy is one of the factors that affects shareholders decision about investment. Problems of the dividend policy range from Black (1976) to its irrelevance by Miller (1961) then to its relevance by DeAngelo (1996).

Several studies compared Shariah-compliant enterprises against non-Shariah-compliant firms to examine the influence of religion on financial and economic performance. Firms adhering to Shariah are not required to adopt Islamic norms mindlessly. Sergius and Savas, on the other hand, are more likely to truly comprehend the concept of Islamic religion in terms of commercial operations (2014). Being dedicated to Islamic principles implies that enterprises should concentrate more on benefiting society rather than increasing shareholder profit to be aligned with Islamic beliefs that emphasize on wealth redistribution to provide a good financial society Uddin (2003).

Market investment decisions crucially depend upon the value of the stocks. It is because of this that all the organizations and businesses very keenly devise their financing strategies to improve the value of the firm. A firm value not only represents an organization's performance, but it is also an indicator of its future development potential. Anton (2016) investigated the influence of

dividend policy on firm value in Romanian listed businesses. According to the findings, Romanian investors favor companies that provide significant dividends. Tewelde (2005) explores how capital structure, investment decisions, and profitability impact a firm's value.

Much research has been conducted to study the influence of religion and cultural beliefs on committed companies. According to certain research, corporations' Shariah compliance affects their stock price informativeness. According to Naz et al. (2017), Shariah-compliant businesses have distinct financial structures than adequately characterized, which may increase the reflection of revealing firm-specific data on the firms' stock price.

Despite these religious limits, Islamic finance may create near counterparts to mainstream finance's equities, mortgages, and derivatives. To that aim, it depends on systemic asset transfer agreements between borrowers and lenders to mimic typical interest-bearing financial contracts. Because Islamic lending transactions are based on the notion of asset approval and customer's credit participation in given business risk, it would seem relatively simple to organize a shariah-compliant equity securities (ABS) that provides a risk-return profile similar to conventional structures. Traditional securitization, on the other hand, was created in non-Islamic nations and always entails interest-bearing loans.

The Shariah Advisory Council (SAC) of the Securities Commission has developed a new updated Shariah screening technique of two-tier quantitative evaluation for activity-based screenings comparisons and newly formulated financial ratio standards, while the qualitative approach remains the same (SC). When the screening distinguishes Shariah and non-Shariah equities, the efficiency of the system in the equity market might provide more money for the country's economy. As a result, one of the critical components in ensuring the economy's potential revenue is that the categorization of the specific stock would affect the success of both the number of stock trading and the share prices (Fauzias et al., 2019).

Furthermore, several research examined the impact of Shariah compliance on the reliability of publicly available information. When providing firm-specific information to external investors, Shariah-compliant enterprises are more likely to note irregularities McGuire, Omar, and Sharp (2012). Besides, previous investigations have observed that organizations looking for Shariah compliance pay more consideration to maintaining a strategic distance from uncovering data asymmetries, taking into consideration the monetary detailing moral measures set up by Shari'ah law Sulaiman (2001).

The experimental information on the impact of profit approach on stock price instability yields conflicting results over periods and research zones. The earlier experimental analyses are based on inactive presumptions of the models, which constrain a more vigorous depiction of the exceptionally energetic behavior of stock markets. Besides, none of the past investigations looked at the connection within the setting of Islamic stocks.

Islamic equities have grown in popularity as a result of the global desire for ethical investing by Muslim and non-Muslim investors. The screening requirements for Islamic stocks demanded conformity with Islamic principles such as minimal interest-bearing monetary operations, a low leverage ratio, and permissible (halal) and social activities in the firm's primary activity. The screening criteria should potentially give a possible diversification advantage owing to lower systemic risks and improved price stability. Recent studies indicated support for consistency (Iqbal et al., 2010, Al-Khazali et al. 2014; Jawadi et al. 2014), but conflicting findings for the long-term value of Islamic equity for development (Saiti et al. 2016; Dewandaru et al. 2014; Ajmi et al. 2014; Hammoudeh et al. 2014).

1.2 Research gap

There was a lack of research regarding the impact of stock price volatility on shariah and non-shariah compliant firms. It was also difficult to identify the companies that truly follow the shariah rules in finance while others that use it as a facade. Companies belonging to the period 2012-2022 are relatively young and have been created in the economically challenging period of Pakistan, hence there were other factors that might have impacted the stock price volatility and dividend policies (Sergius, P. Savas, S., 2017). Moreover lack of shariah framework regarding finance and sectarian division, moreover existence of various schools of thoughts also have caused the variance in shariah policies being observed by these industries (Sergius, P. Savas, S., 2017).

1.3 Problem statement

There is still a lack of empirical support for Islamic stock dividend payout and price fluctuations; thus, having studied dividend payout in the context of Islamic equity may have an interesting and informative influence on the stability of Islamic stocks and implications for diversification benefits to this segment of investors (Vasiljeva, M.V., 2017)..

Despite several empirical studies, the relationship between dividend policy and stock price volatility has remained a source of contention among academics and stock market players. Furthermore, Islamic stocks are said to give superior return stability based on evidence of connection between the particular stock price and other assets as well as the overall market.

There is currently no empirical information on the stability of Islamic equities depending on dividend policy (Sergius, P. Savas, S., 2017). As a result, the goal of this study is to shed light on both themes by using dynamic approaches such as the generalized methods of moments (GMM) and parametric regression models to assess both conventional and Islamic fairness.

Numerous research on Islamic compatible assets have been done, but the dispute over whether these instruments have a substantial effect on the stock market continues.

1.4 Research questions

- What influence does dividend policy have on stock price growth?
- How does GDP and size impact dividend policy and stock price volatility?
- What is the impact of stock price volatility on dividend policy of Shariah and Non-Shariah compliant companies?

1.5 Research objectives

- To determine the influence does dividend policy have on stock price growth
- To analyze how GDP and size impact stock price volatility.
- To assess the impact of stock price volatility on dividend policy of Shariah and Non-Shariah compliant companies

1.6 Significance of the study

The previous studies have not analyzed the shariah and non-shariah compliant companies regarding the impact of dividend policy upon stock price volatility. Despite the fact, there had been a discussion on this topic, but no significant conclusion had been reached due to limitations and control variables. This study therefore holds immense importance in thoroughly analyzing the research material already available and to use potential data from regional companies to assess the factors which influence the stock price volatility based on the dividend policies of shariah and non-shariah compliant firms.

1.7 Scope of the study

The purpose of this study is to thoroughly understand the role of dividend policy in determining the stock price volatility of shariah and non-shariah firms. To analyze this topic, data from the past

10 years ranging from 2012-2021 has been collected and reviewed, consisting of the dividend policies of shariah and non-shariah firms in Pakistan. Along with this, Islamic jurisprudence, shariah laws regarding finances and its influence in local business has also been studied to determine the role it plays in shaping the dividend policy which in turns affect the stock prices.

CHAPTER 2

Literature review

The implications of shariah restrictions on Islamic financial system has limited Islamic financial industry, Islamic stock provides a chance to mitigate risks connected with traditional stock during a bear market or even other extreme stress. Narayan et al. (2017), for example, assessed the impact of monetary news on Islamic and routine values utilizing information from nine Islamic stock records and nine conventional lists determined from Dow Jones Stock files amid 2005 and 2012. They discovered that encouraging sentiment has a large impact on these two equities, but negative press has a relatively little impact on Islamic and conventional companies.

Besides, Narayan et al. (2017), who examined 2066 values from 1998 to 2012, approved Islamic stocks' sensitivity to financial news with a hazard premium. The working edge for risk-averse dealers from Islamic and conventional values was 11.60% and 8.57%, individually, depending on the sort of the declaration being favorable. In the event of bad news, the yearly benefit for Islamic and routine stocks is 16.86% and 12.12%, respectively.

Essentially, Muteba Mwamba et al. (2017) used the square maxima strategy and the greatest process with under consideration the needs from the DJIM, S&P500, SPEU, and SPAS500 file values among 1998 and 2015 to compare the accomplishment of Islamic and standard stocks within the occurrence of extraordinary budgetary data such as the Dark Swan and Asian cash collapse.

For more than six decades, corporate profit arrangement has been a fervently debated subject. In spite of broad debate on the subject, no specific conclusion has been reached. It is critical for not only speculators but also management to decide a fitting profit policy since profit payout has the potential to influence stock costs. As a result, we may contend that stock cost instability may be a degree of the peril associated with it. Miller and Modigliani presented the profit insignificance hypothesis in 1961, accepting perfect capital markets. They fought that shareholders are unconcerned about getting cash flows within the frame of profits or capital gains. The only thing they anticipate is the accessibility of contributing possibilities.

Ben-Nasr and Ghouma, 2021 examined the relationship between profits and share values within the United States. They utilized control variables that might have an impact on an enterprise along the research factors. Abdullah, Mian Sajid Nazir, and Muhammad Musarrat Nawaz They found that a dollar of profits had a significant impact on the esteem of held benefits. They found a

connection between profits and stock costs of companies with small or no development prospects. Profits are improbable to impact the stocks of companies with huge speculation potential. Charge Impact Hypothesis was created by Ben-Nasr and Ghouma, 2021. Particular charge rates on profit wage and capital picks up, concurring to this speculation, result in totally different clients.

There are too many companies to satisfy all sorts of investors, thus no company can raise its value by modifying its dividend distribution policy. According to Ramli et al., 2022, dividend distribution strategy is vital in communicating data about a company's financial condition because of the information gap among all shareholders. It is a significant instrument for signaling the firm's profits estimation to a large number of shareholders, and it benefits by increasing liquidation by paying the real amount of dividend. Although cash dividends are subject to a high tax, they convey information about the firm's future projections returns and enable stock values to rise or fall steadily.

The purpose of this part is to determine the shariah versus non-shariah compliant organizations and their performance based on stock price characteristics. After keen research it was concluded that none of the previous studies talk about the impacts of stock price synchronization upon sharia compliance firms compared to non-shariah compliance organizations. However, there had been some effort to evaluate this concern but due to limitations of study and other determinants no conclusion could be drawn regarding the impact of stock price synchronization.

2.1.1 Firm Valuation and Dividend Characteristics

Ramli et al., 2022 dividend irrelevance hypothesis establishes that it is not important for stock value to perform better in the market to have a pleasing dividend policy. However, variables such as growth and future investments in the firm also have significant impact on the stock value of the organization in the market. As a result, companies with good investment selections and future possibilities will have high firm value, and vice versa. Ramli et al., 2022 proposed a similar assumption regarding business value, namely that dividend payments have no bearing on firm value. In other words, the idea contends that a firm's dividend payouts have no effect on shareholder value. The dividend irrelevance theory has been empirically supported by several academics.

Although dividend qualities and company value are positively related, several academics feel that this connection may not be accurate under certain assumptions (Mutiarra Cindy, Farah Margaretha Leon and Yosephina Endang Purba, 2023). For example, if investors lack appropriate awareness

of this issue and make decisions based on erroneous assumptions. In theory, a firm's worth is also determined by previous data and anticipated future trends. Many empirical research have demonstrated that this does not always occur since other elements contribute to corporate value (Denis & Osobov, 2008).

This phenomenon has been substantiated by several investigations. For example, a survey of New York Stock Exchange-listed corporations from 1931 to 1966 indicated that a firm's dividend is not a significant predictor of its market value (Black & Scholes, 1974). Investors do not gain from stock knowledge, especially if they have homogenous opinions and the market is competitive. Some investigations have backed the idea and its statements regarding dividends being irrelevant to corporate value (Mutiaru Cindy, Farah Margaretha Leon and Yosephina Endang Purba, 2023). Despite the intuitive attractiveness of Balli and Husman, 2022 dividend irrelevance argument, many notable academics feel that dividend policy is a significant antecedent to business value. Balli and Husman, 2022 agrees that dividends have several beneficial consequences on business performance, including increased market value. In a similar vein, Ogden (1994) studies NYSE listed equities and discovers that companies that pay a good dividend have strong returns over several days. Several more studies provide evidence that dividends are important for business value. Jose and Stevens (1989) investigated the dividend policies of several firms and concluded that the differences in payout policies had a considerable impact on firm value.

(Balli and Husman, 2022) conducted a 21-year study in the United States. They demonstrated that stock price swings are caused by information or the tax impact of dividends. They contended that there is a link between common stock performance and dividend payout. This connection, however, is not linear. FATOYE, Segun Kunle (2021) in the United States attempted to determine the influence of dividends on stock prices by examining over 500 firms listed on the NYSE. They discovered a substantial connection between them. FATOYE and Segun Kunle, 2021 discovered a negative relationship among payout ratio and stock price volatility, implying that greater dividend yields result in lower stock price volatility. In his study, the link was substantial.

Baker and Wurgler introduced catering theory (2004). The key idea of this theory is that the choice to pay a dividend is determined by the demand of shareholders or investors. Managers should adapt to the requirements of shareholders by initiating dividends if they desire them or are buying insurance on the stock, and not paying when they want non-payers. Hussainey et al. (2011) did research in the United Kingdom to determine the relationship between dividend yield and payment

on the UK stock market. They used data from publicly traded firms over a 10-year period to do the least square regression evaluation. They discovered a negative association with dividend and volatility in stock prices but a positive relationship between dividend yield and market volatility.

2.1.2 Shariah versus Non-Shariah compliant companies

Because Islamic finance is still expanding, researchers have been interested in the subject of shariah compliance. Businesses that adhere to Shariah are distinguished from traditional businesses by their business practices, which must be permitted (halal) according to Shariah standards. Additionally, businesses must align their financial arrangements with the permitted ratio of loans, cash, and receivables as determined by Shariah law. Previous studies provided a variety of classification methods for separating organizations into Shariah-compliant and non-Shariah-compliant groups.

Previous studies contrasted the financial success of businesses who complied with Shariah to that of those that did not. The investigation produced conflicting findings, leaving it unclear as to whether Shariah-compliant or non-compliant businesses performed better. According to Masih, Kamil, and Bacha (2018), there is not enough information in the literature on Islamic equities to show empirically which indexes are more profitable: Islamic or conventional. We anticipate that this thesis will advance the field by shedding insight on the co-movement of Islamic stocks.

Shariah testing standards have been introduced by a number of financial and Islamic institutions, including Dow Jones, Morgan Stanley Capital Global (MSCI), the Financial Times Stock Exchange (FTSE), and the Accounting and Auditing Company for Islamic Financial Institutions (AAOIFI). For a data sample across Canada, Europe, the GCC, and Japan from 2003 to 2013, Ashraf and Khawaja (2016) evaluated the disparities in the performance of various Shariah compliant firms established with regard to employing various Shariah screening techniques. They developed a model based on (Anwer et al., 2020). They discovered that while almost the same amount of Qiyas is applied across all of the Shariah screening processes, their impact on portfolio returns is minimal. The homogeneity of the results across portfolios is therefore understandable. We used the Dow Jones S&P Indices methodology for 2019 to carry out the Shariah screening process.

Another study examined the impact of Shariah compliance on volatility using data from the MENA region between 2003 and 2013. Ahmed and Farooq (2017) compared the volatility of the Shariah index to that of the conventional indexes using the Component GARCH model. In order to create

two portfolios with different levels of compliance to be compared with the typical portfolio, they added another categorization technique to the Shariah compliance process by classifying the degree of Islamic shariah as most obedient and least obeying. They found that volatility was influenced by the degree of Shariah compliance. They also found that the Shariah-compliant portfolio outperformed the conventional one. Given the traits of conforming corporations, their findings were related to superior information setups associated with Shariah-compliant businesses, which may lessen volatility.

2.2 Coincidences of Stock Prices

According to the notion of the efficient market hypothesis, changes in stock prices represent all available knowledge (Fama, 1970). For this reason, understanding stock price fluctuations is crucial to understanding market efficiency and resource allocation. They evaluate share price synchronization in order to make a reference to the co-movement of stocks in this hypothesis. Due to pricing and reliable information, many authors, including Anwer et al., 2020, Morck et al. (2000), quantified the co-movement of shares for a specific period of time in a single direction. Thang et al (2011).

The measured stock price synchronization is reflected in the recorded R square. Indicating a high level of stock price information quality, a high R square demonstrates that the firm's return is much more influenced by market return, whereas a low R square says that the firm's return has been more influenced by firm-specific knowledge.

Previous studies looked at the relationship between stock price synchronization and other financial factors including GDP per capita, earnings quality, and informational ecological conservation to find out why the stock moves in unison within a certain industry. However, another key issue that has received little attention is the cultural distinctions across stocks.

Additional factors impacting stock price synchrony that researchers looked at include corporation law and social and cultural responsibility (CSR). In this section, we conduct a literature review to examine the numerous variables that affected stock price synchronization and identify the link between Shariah compliance features and the coordinated movement of committed businesses. (2018) Rao and Zhou looked into how stock price synchrony affected the return-sentiment connection. To create a model based on the EGARCH model, they collected data from 937 common equities traded on the Pakistan Stock Exchange between 2006 and 2015. Their findings revealed that the role of individual stock business confidence declines in stocks with a useful info

ecosystem, with organization information having a greater influence than market-specific information.

Between 2005 and 2010, Farooq, Ahmed, and Bouaddi (2018) looked into how stock price synchronization affected stock market volatility in the MENA region. They demonstrated that under regimes with minimal volatility, stock price synchronization is a superior predictor. Their findings are explained by the fact that their research was done on traditional corporations' equities in developing regions.

Other studies examine the impact that cultural variances have on a company's stock informativeness. Hermes and Emanuels (2015) focused on data regarding internal financial procedures in their investigation into the relationship between environment and voluntary disclosure. On a panel data sample of 4,370 firm-year observations collected in 29 nations between 2005 and 2007, they used regression analysis. They found that cultural differences contributed to differences in the practices of corporate governance, such as the disclosure of information on internal controls. Therefore, stock price synchronization was less likely to be seen in the stock prices of companies with better corporate governance and a history of revealing firm-specific information to common shareholders.

Companies that adhere to shariah are more committed to upholding ethical norms as a result of how Islamic culture affects business outcomes, information transparency, and information release. Businesses that adhere to Shariah should disclose more company-specific information than businesses that do not. The number and quality of firm-specific information as opposed to market knowledge, as well as stock culture variances in various markets, are found to have an impact on share price synchrony. By contrasting the co-movement of corporations that adhere to Islamic law with that of businesses that do not, we want to provide new light on the impact of Islamic law on stock price synchronization. We believe that firm-specific information will have a greater impact on Shariah stock prices than market data, but the prevalence of Shariah-compliant companies is still unexpected. As a result, given the traits of Shariah-compliant firms, Shariah compliance ought to have a detrimental impact on stock price synchronicity.

2.3 Dividend policy and share price volatility

Dividend policy determines the decision of the company to share the profit with its stakeholders. These are the shares that a company releases when it makes profits (Ashamu et al., 2012). For any

individual stakeholder who anticipates the profit share from a company's profits, dividend policy is of great concern. As a result, a high and consistent corporate dividend policy implies that corporations have a standard for success. Thus, paying significant dividends decreases risk and influences stock price, and also serves as a road map for future earnings (Baskin, 1989 and Gordon, 1963).

Dividend policy in today's corporate finance handles additional concerns such as how businesses may attract investors in various tax rates and how firms can boost their market value through share repurchases rather than cash dividends (Hashemijoo et al., 2012). As a result, this strategy is concerned with allocating the firm's earnings between dividend payments to shareholders and investments in new prospects. The expected impact on the firm's share value determines the formation of dividend policy. To achieve an ideal stock price for the company, it is best suited that the dividend policy of the company is carefully calibrated Anwer et al., 2020.

The peaks and valleys in stock prices over a certain time period are referred to as stock price volatility. It is a regular event in the equities market that gauges unanticipated movements in stock values. Prospective investors lose interest in investing in the market in the absence of such volatility. Because the inherent value varies when new information is conveyed and made available (Habib, 2012). According to Kanniainen (2007), stock price volatility serves as a measure to evaluate the influx of new information in the company. Shareholders, brokers, dealers, academics, and regulators are all concerned about stock market volatility. They do so not just because volatility is a risk indicator and affects the businesses worth, but also since variations in stock prices reveal essential information about the firm.

According to Guo (2002), the instability in share prices is an organizational risk which small shareholders have to undergo. Risk-averse entrepreneurs are impacted by nature, and the instability of their shares is important to them as it portrays the magnitude of the risk that they are exposed to regarding their investments. Thus, stock market volatility gives vital data on forthcoming economic growth by expressing uncertainty about future cash flows and discount rates. Similarly, dividend payment is discovered to be a substantial determining variable of a firm's share price. It explains a lot about how dividend policy affects stock market values.

According to Mutiara Cindy, Farah Margaretha Leon and Yosephina Endang Purba, 2023, Gordon (1962), and Walter (1963), there is a clear link between a company's dividend policy and its value. The study found that dividends are important in determining corporate valuation. The volatility of

share prices, on the contrary hand, is a moral hazard that regular shareholders experience. However, Mutiara Cindy, Farah Margaretha Leon and Yosephina Endang Purba, 2023 said that under perfect capital market circumstances, dividend payout is independent of firm value and that it makes no difference whether corporations pay out big or low dividends.

Allen et al. (1996) discovered a substantial positive association between stock price volatility and size. Seweng et al. (2015) discovered that dividend yield and dividend payment are quantitatively meaningful adverse predictors of share price volatility. Similarly, the relationship between business size and share price is inverse. Earning instability and protracted debt to price volatility, on the other hand, have beneficial and statistically significant connections.

According to Habib et al. (2012), dividend yield has a favorable influence on stock prices, but dividend payout, capitalization, & debt have a negative impact on share costs. Suleman et al. (2011) discovered a substantial positive link between share price volatility and dividend yield. According to Khaled et al. (2010), the association between dividend return (cash) and stock cost increases is positive, however the connection between the payments ratio and stock cost increases is adverse. According to Ajayi and Seyingbo (2015), there is a positive association between dividend payment ratio, earnings, and capital adequacy and stock value volatility, but there is a negative and significant relationship among earnings per share and share rising prices. Price volatility has a negative and small relationship with growth and earnings volatility. Jecheche (2012) shown that dividend yield and distribution have a considerable impact on price volatility. According to Profilet and Bacon (2013), leverage and expansion both have a negative association with volatility in stocks.

According to Shrestha (2015), dividend per share is positively connected to market price per share. Similarly, dividend yield is positively affected by size. Bhandari and Pokharel (2012) observed that the dividend policy of Nepalese commercial banks is not consistent. The dividend policy followed by Nepalese commercial banks is not fully explained by either remnant theory or steady theory. With the expansion of financial companies in Pakistan, they must adhere to a solid dividend policy so that investors can forecast the stock market and arrive at sound investment decisions.

2.3.1 Dividend irrelevant theory

Miller and Modigliani propose the dividend irrelevance theory (1961). To actualize Mutiara Cindy, Farah Margaretha Leon and Yosephina Endang Purba, 2023 model, assumptions are made that there are no transaction costs and that there is also no tax or that both the tax brackets for dividends

and capital gains be equal. It is also believed that there exists a perfect capital market in which the market rate is not impacted by a single buyer or seller.

Everyone can get information about the market for free. The equities are reasonably valued, and management serves as the best agent for shareholders, implying that there is not an intervening variable. One reason why investors may favor dividends over capital gains is the predictability of dividends, as opposed to the uncertainty of capital gains. Dividends are accepted and valued than retained earnings in an uncertain environment and information asymmetry (Husam-Aldin, 2007). Outside investors are assumed to have incomplete knowledge about enterprises' performance, and cash dividends are taxed at a higher rate than capital gains. Under these conditions, such payouts serve as a signal of predicted cash flows (Zamzmir Zamzamin et al., 2022).

When there are conflicts of interest between management and shareholders, agency costs occur. Because executive remuneration is frequently tied to business growth, managers may excessively spend on perquisites or overinvest to increase the size of their firms beyond the ideal level (HusamAldin, 2007). Debt development may lower the agency's cost of free cash flow by limiting accessible income for executives' consumption spending. Failure to make debt service payments would serve as a motivator for firms to become more efficient (Zamzmir Zamzamin et al., 2022). Investors are sensitive to information disclosed by businesses due to incomplete info and therefore would make a judgment on the firms' prospects based on dividend announcements, prospective positive net potential value (NPV) projects, and others. According to the information of dividends, payouts may be used to signal a company's business prospects, and only high-quality enterprises can utilize such a device (Husam-Aldin, 2007). According to a study conducted by Allen et al. (2000), the number of transactions rose through the ex-dividend date because of substantial payouts for both individuals and corporate investors.

The clientele effect is described as the clustering of shareholders in firms to fit their investing appetite. Investors in the lower tax brackets or tax-exempt organizations that require present cash flow are more likely to invest in firms that offer a large dividend. In general, dividend yields fall when dividend tax disadvantages rise Zamzmir Zamzamin et al., 2022. Another study backs up the clientele effect, finding that the differential in tax rates for capital gains and dividends influences investors' choice for holding high dividends or low payouts stocks in their investment Zamzmir Zamzamin et al., 2022.

Stock returns, whether in the form of cash dividends or capital gains, are taxed. Dividends are also taxed twice in various places throughout the world. Under the double taxation regime, investors prefer capital gains over cash dividends. To avoid double taxation, several nations are providing partial or complete tax relief to persons who earn dividends. Ince and Owers (2012) found that if the dividend tax rate was higher than the capital gains rate, dividend distribution might partially negate the value-enhancing impacts of leverage. When both rates are the same, dividend distribution loses its moderating effect.

2.3.2 Effect of dividend yield on stock prices

Before releasing the dividends, the dividend paying firm must announce the net profit and on the day the firm is expected to pay its dividends. It must also announce the ex-dividend date which is when the firm collects shares to obtain profits. This is usually a day before the record date, that is when the organization assesses its partner's lists. The profit installment usually attracts the investors to buy the shares. Economic experts and financial analysts usually buy stocks before the ex-dividend date to secure the profits.

Entrepreneurs may push down the stock price as new stakeholders are not usually given major portions of the shares; therefore, they are reluctant in buying a major share in the firm. On the other hand, if the stock market is showing poor performance before the ex-dividend date it may cause the cost of shares to hike as much as the total sum of its profits causing an average rise instead of decrease in stock prices. Due to the fluctuating stock market and stock prices the normal trade, in case of minimum dividends may also be ignored.

Though venture earnings must not result in any actual pick up in value for stockholders at the time of issue, they influence the cost within the same way as profits do. The cost of a stock frequently rises once a profit is announced. However, so a stock increases the number of offers issued whereas the company's value remains consistent, it weakens the market valuation per share premise, causing the stock cost to fall.

The profit yield is a great fundamental marker for a financial specialist to utilize when surveying profit income from present holdings versus conceivable dividend income from ventures in other shared reserves and stocks. Concerning total venture returns, it is vital to keep in mind that rises in share cost decrease the profit yield proportion indeed if the whole capital returns from owning the company have essentially improved. A lessening in share price, on the other hand, shows a

more noteworthy profit yield but may recommend that the firm is confronting issues, resulting in a poorer add up to venture return.

When the economy is in a slump, a company's dividends may be reduced or eliminated. Assume a dividend-paying corporation is not generating enough; when sales and revenues fall, it may consider reducing or eliminating payouts. For example, if Corporation HIJ's revenues decline due to a recession the next year, it may consider reducing a portion of its dividends to save expenses. The current dividend distribution may be seen on the cash flows statement in a company's financial accounts. Dividend growth rates necessitate historical information about the firm, which can be easily accessed on any number of stock information websites. An individual investor determines the needed rate of return.

2.4 Determinants of stock price volatility

In spite of a part of research, there's still an error on the relationship between profits and instability in stock prices and this issue remains open for wrangle and inquiry. Modigilani and Bugshan, Alnori and Bakry propelled this discussion (2022). Agreeing to MM, a company's valuation has no bearing on its dividend policy, and the instability of its stock price is absolutely decided by its winning potential.

Concurring to Zamzamin et al., 2022, and Anwer et al., 2020, the over affirmation is as it were genuine if stockholders have geometric points of interest about the income explanations, but regularly administration groups pass positive data to the shareholders whereas keeping any negative data covered up until any administrative or monetary imperative powers them to reveal it.

Jenson's (1986) cash flow/overinvestment hypothesis gives us another point of view on this issue, expressing that there's a positive affiliation between profit and stock cost movements. He claims that supervisors tend to keep reserves to contribute to negative NPV ventures to maximize their individual utility. The organization cost caused because of this overinvestment reduces the firm's value. Profit signaling hypothesis moreover traces the positive affiliation between profit orientation and company stock prices. And, in agreement with the Free Cash Flow (FCF) speculation, there's a positive affiliation between a firm's dividend policy and its equity markets, be that as it may we must account for the firm's development potential.

Diverse researchers hold contradicting conclusions on the interface between profit arrangement and stock costs. Bugshan, Alnori and Bakry, 2021, Companion and Puckett (1964), Litzenberger

and Abdelaal (2020), Sharafeldin, 2020, and Ohlson (1995) did earlier research on payout proportion but too stock cost instability within the setting of the Joined together States. Abdelaal, 2020 found a solid relationship between esteem line CAPM, beta guys, and profit for 1000 US organizations. To clarify share costs, Sharafeldin, 2020 and Fama and French (1992) concentrate on profits and other cash flow variables such as bookkeeping profit, venture, mechanical generation, and so on. Shafaai and Masih, 2013 found no significant affiliation between trade rate and stock cost in Australia. Concurring with Shafaai and Masih, 2013, profit payment affects stock prices.

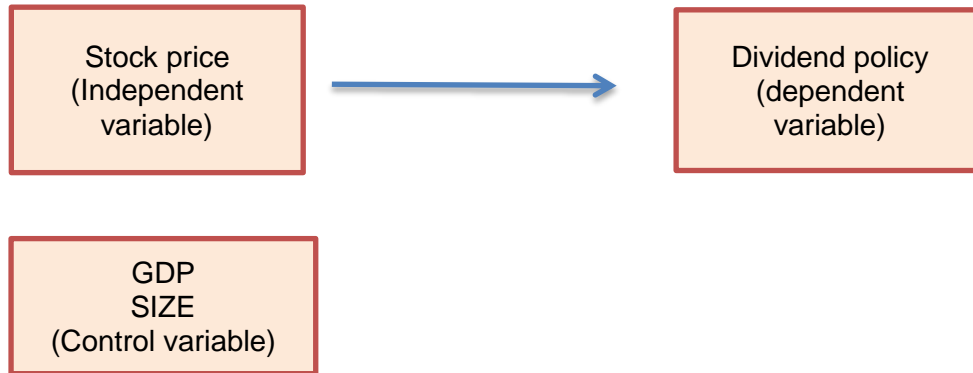
A few theoretical components propose that profit yield and profit payout ratio have an all-inclusive association with instability in stock costs. Jensen and Meckling (1976) set up an organization taking a toll contention, which contends that profit dispersions lower the fetch of capital whereas expanding the firm's cash streams. After paying cash profits to stockholders, the enterprise would have less sit still capital within the hands of administration to spend in activities with moo or negative net display value.

When an organization declares profits, it offers data to its partners to predict the firm's budgetary status and gaining capabilities, according to Mill operator and Shake (1985); Asquith and Mullin (1983); Born et al. (1984). In any case, these projections are too influenced by the source of data, whether it is open or private. There's still debate among distinctive scholastics on the relationship between payout proportion and stock costs, and it remains unexplained and far from being obviously true in corporate funds. Vasiljeva, 2017 spearheaded an inquiry on the interface between the instability of profits and stock costs. They found an interface between profits and stock costs. Vasiljeva, 2017 found that profit surrender encompasses a useful impact on post-announcement rate of returns. Concurring to Shafaai and Masih, 2013, long-term retail financial specialists have a small impact on ex-day stock prices, but short-term shareholders and regulation dealers have a noteworthy effect on ex-day stock costs. Concurring to Baskin (1989), there's a huge, overpowering negative connection of profits and instability in stock prices.

Shafaai and Masih, 2013, on the other hand, found a expansive positive affiliation of stock costs and profit instability and leverage, as well as a critical negative interface between cost instability and payout ratio. Conroy et al. (2000) found that standard profit discharges cannot clarify market responses to releases. Agreeing to Nishat and Irfan (2001), both profit cash stream and share cost have a significant effect on stock cost instability. Rashid and Rehman (2008) found an

advantageous but non-significant interface between share cost instability and profit development within the Dhaka stock market. Vasiljeva, 2017 and Erragragui and Revelli, 2016 are two further considerations on stock market instability in Pakistan (1999).

Conceptual framework



- H1: Dividend policy and stock price have a negative relationship.
- H2: Stock price growth will be positively related to the dividend policy.
- H3: GDP, Size and dividend policy has a positive relationship.

CHAPTER 3

Methodology

The goal of this study is to ascertain how dividend policies on companies that are compatible with shariah law and those that are not will affect stock price volatility. In-depth explanations of the technique used to assess the effect and influence of dividend policy on stock price volatility are provided in this section.

3.1 Research design

The objectives of this research are divided into three categories that are Explanatory, exploratory, and descriptive research. The qualitative analysis has been used to gather the data and information required to establish the correlation between dividend policy and stock price volatility on Shariah and non-shariah compliant companies. The purpose of this study was to investigate the impact of dividend policies on stock price volatility. The methodology adopted for the research was secondary research as it can answer the research questions and put the theories to the test it will also help to create a suitable research design (e.g., identify key variables) and will help to Interpret primary research data to get insights into broad patterns in dividend policies and will help recognize the stock price volatility in response to the sharia laws and Islamic banking in shariah and non-shariah compliant companies.

3.2 Research approach

To determine the hypothesis, data of past 10 years regarding dividend policies from 2012 to 2021 of Pakistan's shariah and non-shariah compliance firms has been gathered to assess the stock price volatility. Because secondary data will be utilized to compare occurrences regarding variation in stock prices because of dividend policy on shariah and non-shariah compliance companies, it will be necessary to complete the result data. To perform the research, the covariant will be found, and the dependent and independent variables will be segregated. To evaluate the authenticity of the performance and the link between co-variants, literature analysis and data acquired from legitimate sources will be gathered and prepared. A scatter plot can be used to analyze the relationship

between variables and determine whether or not they are connected. The correlation coefficient is a number that indicates how strongly two variables are related to one another. The coefficient can range in value from -1 to 1. A correlation matrix of hypothetical factors will be created to analyze the relationship between factors such as dividend policy, stock price volatility, growth and shariah and non-shariah compliant companies.

3.3 Data collection and population

The primary data was gathered from secondary sources such as articles, journals, textbooks, and research papers that discussed a comparable issue with various variables. Moreover, the annual reports of sharia and non-shariah compliant enterprises were analyzed to verify the claims and to collect extra statistical data to assess and show the link between dividend policy and stock price volatility in the companies. For this aim the reports of the last 10 years were reviewed closely to understand the link between the factors.

3.4 Proposed model:

$$Y = \beta^{\circ} + \beta_1 X_{1It} + \beta_2 X_{2It} + \beta_3 X_{3It} + \beta_4 X_{4It} + \varepsilon$$

$$DP = \beta^{\circ} + \beta_1 SP_{It} + \beta_2 SPG_{It} + \beta_3 GDP_{It} + \beta_4 SIZE_{It} + \varepsilon$$

Here, the equations beta is coefficient

- β° is constant
- β_1 is coefficient of stock price
- β_2 is coefficient of stock price growth
- β_3 is coefficient of control variable which GDP growth
- β_4 is coefficient of control variable which is size
- ε is error term

3.5 Measure

Here, we are using the panel data. The quantitative data contained in the research papers and economic surveys released in these research papers, as well as government statements of Shariah and non-shariah compliant enterprises in the form of tables, graphs, and charts, were used to calculate the variables and study objectives. These values were added into the data supplied in this research paper's literature review and discussion section to bolster the case with evidence from credible sources. Any data via video streams and interviews with finance professionals was captured and displayed in appropriate manner such as charts, tables, or graphs, with the sources and names of the interviewees given to quote the reference and prove the validity. Each of the cited figures was given accurately, and any numerically long value was adjusted off to the next decimal value or whole integer.

3.6 Panel Data Analysis

The impact of dividend policy on stock price on shariah and non- shariah compliant companies will be tested using panel data methodology. It allows for pooling of observations over several time periods. It is also called longitudinal data analysis. Panel data regression, unlike ordinary least square regression, covers two dimensions. These two dimensions are cross section units and the other in time series. This nature of panel data makes it suitable for this research because the data set provides rich sources of information for accurate analysis. Time series suffer from the issue of multicollinearity which is less likely to happen using panel data methodology. Also, panel data controls individual heterogeneity and can handle a large number of observations (Hsiao, C. (2005), Naeem, Muhammad Adnan & Bilal, & Khan, Abdul. (2012)). It is used by many researchers (Padachi, 2006; Rehman and Nasr, 2007; Erasmus, 2010; Raheman et al., 2010; Keraduman et al, 2011; Osama, 2011; Yassine, 2011). The panel data methodology is more effective in analyzing the empirical findings of study.

3.7 Ethics

Ordinarily, auxiliary information are ones that were gathered for targets other than the current study as part of another investigation project. They might be information collected by government organizations (such as the census, but also increasingly administrative data), information collected

by businesses (such as information set of stock costs), or information from past research activities. In spite of the fact that secondary examination of subjective information is broader, they are more often quantitative. As a result, data was de-identified before being given to the analyst and it was thought that study participants had given their understanding. Also, the analysis's discoveries avoided members from being re-identified, and the use of the information must not cause hurt or trouble. Consent is required to use and analyze publicly available material from the Web, books, and possibly other open sources. Nonetheless, the original data's origin was acknowledged. The study team gave specific, written authorization to the use of research data from another pilot project, and the data just weren't made available to the public, other than to the initial advisory committee, and this consent was incorporated into the submission for ethical approval.

3.8 Data Analysis

The quality of the information (essential or auxiliary) utilized in any research influences the conclusions, their significance for future exploration, and its relevance to commercial or measuring entities. As a result, any framework or organization, particularly the educational surroundings, should be concerned with the quality of the vast amounts of information gathered day by day by relevant organizations and/or people (e.g., government offices, colleges, private organizations, non-profits, think tanks, overviews of open conclusion, and understudies) in recent years. The SD may be invalid, out-of-date, or incorrect. It may not be specific enough or relevant to the data under consideration. For example, information that was not originally obtained for research purposes, such as authority, commercial, or Web information, may not be available inside the regular "research groups" or may be difficult to get. This exposes investigators to various problems that may affect the quality of the data (reliability and validity), consequently affecting the practicality of the investigation. As a result, this study concluded that critical examination of the idea and assessment methodologies in the dependability of secondary data are necessary to support management research. Independent sources, papers, journals, economic surveys, reports, and statistics were used to assess the data.

The quantitative data analysis is using pooled generalized least squares regression model GLS, fixed effect regression model FEM, random effect regression model REM and Hausman Test. The data has been analyzed using Stata software and the statistics included

3.9 Regression test

The study has used a regression test to establish the most appropriate model. It describes the relationship between variables. Primary objective of using this test is to determine the rate of change that an independent variable causes to another variable. Data evaluation is based on r square, t-statistics, and coefficient. The value of r square is represented in percentage and is in-between 0 to 1. Sign of coefficient is used to gauge the linkage between variables. Positive sign indicates a positive link between the variables, whereas negative sign indicates an inverse relationship.

3.10 Descriptive statistics

It is the main feature of collected data as it is the parameter of quantitative measure. It is used to bridge the sample and is not based on probability theory. It provides summaries about the sample and between made observations. It serves two purposes. This statistic provides basic information about variables and highlights significant associations between variables.

3.11 Hausman Test

It is also described as a test for model specification. In panel data, this test is performed to check what model will be taken into consideration when choosing between fixed and random effects model. Interpreting the results using this model is easy. One must reject the null hypothesis and utilize a fixed effect model if the p value is less than 0.05.

3.12 Fixed Effect Model and Random Effect Model

There exists no specific accepted methodology for any type of analysis (Shah and Khan 2007). It depends on the data selection method, time span and structure and number of variables. A fixed effect model is a category of statistical models in which dependent variables change in response to independent variables while the values of independent variables are considered to be fixed. Variables have different effects at different points in time. Fixed effect model holds the idea that variables will have the same effect at different points.

Random effect model in a panel data is a special case of mixed model. It assumes no fixed effects. If the omitted variables are not related, then the random effect model is preferred because standard errors of estimates tend to be smaller.

CHAPTER 4

RESULTS AND FINDINGS

4.1 Introduction

This chapter explains the motivation for the study that was done. Results of the data are depicted in this section, and they show the association between the impact of dividend policy on stock price of shariah and non-shariah compliant companies. This research has used quantitative analysis in a logical sequence of methods i.e., descriptive analysis, correlation analysis, Generalized least squares regression model GLS, fixed effect model, hausman test and random effect random model.

4.2 Descriptive statistics

variables	obs	mean	Std.dev	min	max
SCC	200	10.5	5.780751	1	20
B	200	2016.5	2.879498	2012	2021
DP	200	37.12075	32.55829	0	169.85
SP	200	189.6019	247.575	.7	1576.16
SPG	200	29.6987	79.55408	-51.32	687.75

variables	obs	mean	Std.dev	min	max
GDP	200	4.061	2.08567	-1.33	6.15
SIZE	200	4.785593	.6713879	3.191104	6.79162
DUM	200	.5	.5012547	0	1
DSSPG	200	19.2205	75.4132	-44.64	687.5

This table represents descriptive analysis. The dependent variables is dividend policy independent variables are stock price and stock price growth and control variables are Size, GDP Growth and Dummy variable is sum of shariah and non- shariah compliant and growth.

Unlike inferential statistics, descriptive statistics summarizes and describes the data. It presents the qualities in the data. Concept of central tendency states that there exists one single variable that

best summarizes whole set of measurements. Mean is called the central tendency of the data. Standard deviation is the measurement of average distance between each quantity and mean. It is measure of variability.

To very extent it can be said, dividend payout has a mean value of 37.1207 with a standard deviation of 32.5582 revealing maximum and minimum value of 169.85 and 0 respectively. There has a huge variation between the values because the dividend payout ratio of different companies can be used in it, somewhere the companies gives higher dividend to investors. SP has a mean of 189.6019 with standard deviation of 247.575 having maximum and minimum value of 1576.16 and .7 respectively. There has a huge variation between the values because the stock price of different companies can be used in it, somewhere the stock prices of companies goes higher and lower frequently. Shariah and Non-Shariah compliant companies is a dummy variable which has a mean value of 10.5 with a standard deviation of 5.780, revealing maximum and minimum value of 20 and 1 respectively. There is no variation because total companies sample size is 20. Size which are the total assets of company has a mean value of 4.061 with a standard deviation of .6713 revealing maximum and minimum value of 6.79 and 3.19 respectively. It shows that larger the investment of the firm, greater will be the profitability. There is little bit variation between the values because when investors invests in the companies has some limitation and can't bear the loss if the companies goes towards loss because of some circumstance that's why there should a little variation between them. GDP Growth has a mean value of 4.061 with a standard deviation of 2.085, revealing maximum and minimum value of 6.5 and -1.3 respectively. There is little bit variation between the values because only GDP growth of Pakistan can be used in the data and the GDP of any country changed little bit.

SPG has a mean of 29.6987 with standard deviation of 79.55408 having maximum and minimum value of 687.75 and -51.32 respectively. There has a huge variation between the values because the SPG of different companies can be used in it, somewhere the prices are goes down and companies growth has the negative sign while on other side, the prices are goes highly up and the companies shows the positive impact on the growth that's why the SPG values are shows the negative sign in the graph.

4.3 Correlation Analysis

	DP	SP	SPG	GDP	SIZE	DSSPG	DUM
DP	1.0000						
SP	0.0387	1.0000					
SPG	-0.1656	-0.1310	1.0000				
GDP	0.1580	0.0408	-0.0388	1.0000			
SIZE	-0.2071	-0.1220	-0.1467	-0.0395	1.0000		
DSSPG	-0.1571	-0.0881	0.9142	-0.0370	-0.1465	1.0000	
DUM	-0.1102	0.1708	0.1102	0.0000	-0.1673	0.2555	1.0000

This table represents the correlation matrix. The dependent variable is DP and independent variables are SP and GDP, SIZE are the control variables whereas shariah and non-shariah compliant companies are dummy in it.

To measure the potency of association between the variables, study has used correlation analysis (Tabachnick and Fidell, 2007). The positivity and negativity of correlation shows the direct and inverse relation respectively. Positive correlation indicates that as one variable increases, the other variable will likewise increase. If there is a negative correlation, it suggests that when one variable rises, the other one falls. To compute correlation, correlation coefficient is computed and its value ranges from +1 to -1. +1 shows the perfect correlation that exists variables that means if one variable moves up the other variable follows the identical track. Correlation coefficient shows the strength of linear relation between variables.

Dividend policy is positively correlated to its self. SP is positively correlated to the DP because the values of correlation is positive. If the stock price of company increases the dividend payout of companies also increases. Stock price growth is negatively correlated to DP and SP because the values is negative. If the SP and DP of any company increases the stock price growth of the company decreases because of the negative correlation. GDP is positively correlated to the DP and SP because the values of correlation is positive but is negatively correlated to SPG. If the GDP of country increases the stock price and the dividend payout ratio are also increases and has a positive impact on each other. If the GDP increases the SPG decreases because they are negatively correlated and has a negative impact on each other. Size is negatively correlated to DP, SP and

GDP. If the size of company increases the dividend payout, stock price and stock price growth is decreases.

4.4 Hausman Test

It is also known as a model specification test. This test is run on panel data to determine which model will be considered when choosing between a fixed effects model and a random effects model. It is simple to interpret the outcomes using this approach. One must reject the null hypothesis and utilize a fixed effect model if the p value is less than 0.05.

	(b) fe	(B) re	(b-B) Difference	Sqrt(diag(V_b- V_B)) Std. err.
SP	.0114255	.0088215	.002604	.006587
SPG	-.0995365	-.1065719	.0070354	.0058172
GDP	2.337447	2.264591	.0728559	0.247402
SIZE	-2.556771	-8.089445	5.532674	6.113063
DSSPG	.0795587	.0759965	.0035622	.

Based on Hausman criteria, the study seeks to choose a fixed or random effect model. Hausman test (1978) takes hypothesis that random effect is preferred if $p > 0.05$ and is rejected if $p < 0.05$. The table below displays the Hausman test results.

Test	Chi square	Prob >chi2
Hausman Test	0.37	0.9848

This illustrates that the fixed effect model's assumptions are violated if prob>chi2 is greater than 0.05 confidence level. The random effect model must be applied in this situation because the value is greater then the confidence level. The fe stand for the fixed value and the re stands for random value.

4.5 Results

Therefore, according on the Random Effect Model

Random-effects GLS regression Number of obs = 200

Group variable: SSC Number of groups = 20

R-squared:

Obs per group:

 Within = 0.0682 min = 10

 Between = 0.1601 avg = 10

 Overall = 0.1070 max = 10

Wald chi2(6) = 16.13

corr(u_i, X) = 0 (assumed) Prob > chi2 = 0.0.0131

				P>z	[95%	
DP	Coef.	Std.Err.	z		Conf.	Interval]
SP	.0088215	.0113246	0.78	0.436	-.0133742	0.031017
SPG	-.1065719	.0593852	-1.75	0.073	-.2229648	0.009821
GDP	2.264591	.85064664	2.66	0.008	.59735546	3.931827
SIZE	-8.089445	5.474785	-1.48	0.140	-18.81983	2.640937
DSSPG	.0759965	.0637527	1.19	0.233	-.0489565	0.20095
DUM	-10.77612	9.386521	-1.15	0.251	-29.17336	7.621123
_CONS	72.05688	28.28324	2.55	0.011	16.62274	127.491

Regression results of different variables with dividend policy are shown in table 4. Panel yushas been separately used to check the impact of both the variable. This table shows the regression analysis carried out with Dividend Payout as dependent variable, it contains coef, T Statistics, standard error, Prob Value, F Statistic, Prob > F, R Squared and Adi R-squared.

The estimation of Co-efficient of stock price is .0088215 in above table. It illustrates that the stock price has little bit or no impact on dividend policy. SP shows the positive relationship with the DP and its in-significance. Positive change implies higher prices.Fundamentally, based on values of.0088215, we can state that price volatility will typically change positively by that amount even

in the absence of the included variables. The estimation of Co-efficient of stock price growth is -0.1065719 and shows the inverse relation to the dividend policy. If the stock price growth increases the dividend policy decreases and its significant because its value is smaller than 10%. If the star should applied on it the we draw two stars on it. The negative sign tells us the price is decreases. Furthermore, the estimation of Co-efficient of Gross Domestic Product (GDP) is 2.264591 . Test outcome is highly significant because its value is 0.008 which is less than the 5% and its highly effective on dividend policy. The GDP and DP has positive relationship. If the GDP increases the dividend policy also increases. The size of any firm plays an important role but here in my results, the estimation of co-efficient of size is -8.089445 but its shows the negative and inverse relationship to dividend policy and its also in-significance because its value is 0.140 which is greater than 10%. Here the negative size implies that the stock prices are mostly decreases. If the size of firm increases the dividend policy also decreases.

The overall results for non-financial sector's listed firms are consistent with the dividend relevance theories whereas contradict with the Miller & Modigliani, (1961) dividend irrelevance theory.

Hypothesis results

Dividend policy and stock price has a negative relationship.	Tested	REJECTED
Stock price growth has positively related to the dividend policy.	Tested	REJECTED
GDP and dividend policy has a positive relationship.	Tested	APPROVED

Discussion of hypothesis:

H1:Dividend policy and stock price has a negative relationship.

After the regression test, the values rejected the hypothesis because its in-significance and has a positive effect on the dividend policy. The results tells that the stock price increases the dividend policy also increases. So, we rejected that hypothesis.

H2:Stock price growth has positively related to the dividend policy.

The results shows that the dividend policy and the stock price has a negative relationship and its significance and reliable. Dividend policy is inversely related to stock price growth if the stock price growth increases the dividend policy policy decreases and vice versa. So, we rejected that hypothesis.

H3:GDP and dividend policy has a positive relationship.

The results shows that the dividend policy and the GDP has a positive relationship and its highly significance. If the GDP increases the dividend policy increases. So, we accept that hypothesis because its proved that GDP and dividend policy has a positive relationship.

CHAPTER 5

Conclusion and Recommendation

The goal of the study is to ascertain the impact of dividend policies on Pakistani enterprises that adhere to Shariah law and those who do not. Take 200 records spanning 10 years, or from 2012 to 2021, to examine the impact of dividend policy on stock price costs for 20 organizations that are listed on the PSX.

In this study, the link is examined using a stata (statistical software package) technique and panel data after business size and GDP (Gross Domestic Product) have been taken into account. The results are in line with what previous research have found, namely that there is a strong positive association between the dividend policy and stock price and a strong negative relationship between the firm size and dividend policy.

The study is done thoroughly utilizing fundamental analysis approach. The outcomes tell that the size of the study is substantial. Investors are settled down their outcome on the investment portfolio decision. The study also helps the administration to make an effective dividend policy for the investors.

There might be some restrictions on this study. As an example, accounting standards are generally subpar in underdeveloped nations, which mean they may not reflect sensible financial judgment. Additionally, the most pertinent facts from the corporal's annual report. The yearly report might not be accurately reflecting the state of the organization's lawsuits. However, statistics are collected from a large number of perceptions of various corporate aments without taking into account the subtle differences across organizations (because no two businesses are exactly same: Deegan, 2006). The incredible estimate of a few final years may have a significant impact on his research. These excellent predictions of a few factors, such as net profit and retained meaning, could affect this study.

According to the data, both Shariah-compliant and non-Shariah companies listed on the Pakistan Stock Exchange have beneficial effects on dividend payout. It suggests that by paying out extra money in dividends, the management of both companies can get around the issue of agency fees. The results show that profitability affects dividend payout positively and significantly for both Shariah-compliant and non-compliant non-financial manufacturing enterprises. It implies that management of both companies should start paying dividends after taking their profits into account.

Potential investors who appreciate businesses that give out substantial dividends now ought to put money into a successful enterprise.

Future research and limitation

This examination isn't without its restrictions. To begin with, the current study centers exclusively around Pakistan shariah and non-shariah compliant sector. For more noteworthy generalizability of the findings and to more readily reflect dividend policy of organizations in Pakistan, future examination might need to remember other financial organizations of Pakistan. Second, the current study built on secondary data. The utilization of surveys or subjective investigations, for example, interviews may give more extravagant information on variables that influence the dividend policy of organizations. Then again, a mix of quantitative and subjective strategies may create more thorough outcomes. Third, comparable to huge investors, future exploration might need to inspect the impact of different sorts of possession, for example, financial institution on dividend policy. The OLS- Regression model and different software used in future to finding the impact of dividend policy of different sectors of Pakistan.

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