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The Moderating Effect of its Working Capital Management Policy on the Relationship between Dividend Policy and Stock Price: A Case Study on the Manufacturing Sector on the Kuwait Stock Exchange for the years 2019-2023

Barham Khalid Hassan **Shakhawan Saeed Sangawi *** **Hadi Muhammed Ahmed**
Department of Accounting, College of Business, Charmo University
Sulaimani, Kurdistan Region, Iraq.
***Corresponding author**

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Abstract:
This study aims to examine the moderating effect of working capital management policies on the relationship between dividend policy and stock prices in the manufacturing sector of the Kuwait Stock Exchange (KSE) from 2019 to 2023. Grounded in signaling theory and agency theory, the research investigates how dividend decisions affect market valuation and how investment and financing strategies, particularly aggressive or conservative working capital approaches, influence this relationship. To achieve this, panel data from 21 manufacturing firms listed on the KSE were analyzed using panel regression techniques method in EViews software. The market price per share (MPS) was used as the dependent variable, while earnings per share (EPS) and dividend per share (DPS) were the independent variables. Return on assets (ROA) was incorporated as a moderating variable. Profit after tax (PAT) and return on equity (ROE) were excluded due to statistical insignificance. The results indicate that the working capital management policies—specifically aggressive investment and financing strategies—as well as ROA significantly moderate the relationship between dividend policy and stock price. While hypotheses H2, H3, and H4 were supported, hypothesis H1, which posits a direct relationship between dividend policy and stock price, was not supported (p-value = 0.0619), indicating a weak negative correlation. These findings offer practical insights for financial managers, investors, and policymakers in emerging markets, highlighting the strategic importance of aligning dividend decisions with working capital policies to enhance stock performance.
Keywords: Working Capital Management Policy; Dividend Policy; Dividend Payout Ratio; Stock Price; Return on Assets.

1.Introduction:

In today's competitive corporate world, financial decisions are crucial to a company's value, stability, and investor confidence. Dividend policy, stock price behavior, and working capital management are all deeply connected. Each one affects a company's financial health and how it's perceived in the market. Dividend policy is how a company determines the distribution of profits. For many investors, steady dividends signal financial strength and good management. Stock prices reflect market's perceptions of the company's current and future value. Working capital management is the strategy used to balance short-term assets and liabilities, ensuring enough liquidity for daily operations without overextending resources. A company with effective working capital management can better sustain dividends, handle unexpected changes, and maintain stability. Despite the significance of these factors, limited research has examined the impact of capital management on the relationship between dividend policy and stock prices, especially in emerging markets like Kuwait. This gap presents an exciting research opportunity. Effective working capital management is crucial for a company. Without maintaining an adequate level of working capital, a company risks becoming insolvent, meaning it may struggle to meet its upcoming financial obligations (BUSHURU, 2015).

Previous researches have examined on how dividend policies affect stock prices. However, the role of working capital management in this relationship is less frequently discussed. Enhancing firm value is a key component of the company's corporate strategy, and achieving that goal needs effective working capital management (Afza & Nazir, 2007). When working capital is controlled managed, a business has sufficient cash to cover its expenses and distribute dividends. This, in turn, can influence investors' perception of dividends reliability and impact stock prices (Ahmed et al., 2023). On the other hand, poor working capital management can hinder A company's capacity to distribute dividends and lead to stock price fluctuations (Sunday, 2018).

A study conducted by Hassan et al. explores the way working capital management influences the relationship between dividend policy and stock price behavior, using both theoretical and practical approaches. It draws on signaling theory, which suggests that dividend announcements send signals about a company's financial health and stability to investors Hassan & Ibrahim (2022). Agency theory also informs the study by addressing potential conflicts between shareholders and management, particularly in how financial decisions like dividend payments are made(Abdullah, 2025). These theories provide a foundation for understanding how effectively managing short-term assets and liabilities can shape investor perceptions and reduce agency conflicts.

On the practical side, the study conducts an empirical analysis of panel data from 21 manufacturing firms listed on the Kuwait Stock Exchange between 2019 and 2023. It examines how working capital management may moderate the impact of dividend policy on stock prices, using financial indicators such as Earnings Per Share (EPS), Dividend Per Share (DPS), Return on Assets (ROA), and Market Price Per Share (MPS). By linking theory to real-world data, the research highlights the importance of transparent financial practices and efficient resource management in shaping investor behavior and overall market performance**.**

Although there is plenty of research on impact of dividend policies on stock prices, the role of working capital management in this relationship is not well examined. A company's short-term assets and liabilities are the subject of working capital management, essential to preserving liquidity and operational effectiveness. It contributes to stable stock prices and consistent dividend payouts when adequately handled. However, inadequate management might result in liquidity issues, which can cause erratic stock price swings and dividends (Waweru & Kisaka, 2013). The goal of this study is to investigate the impact of working capital management on the correlation between stock prices and dividend policy. Investors and managers must comprehend this relationship because it emphasizes how short-term financial choices affect long-term market performance and investor confidence.

To maintain the balance of interests and administer economic units sustainably, regulations and ownership structures are also crucial in establishing the interactions between owners, management, and stakeholders (Ali et al., 2024).

The main goal of this study is to explore how working capital management plays a role in shaping the relationship between dividend policy and stock prices, specifically in the context of manufacturing companies listed on the Kuwait Stock Exchange. To offer a well-rounded perspective, the research includes both conceptual (theoretical) and data-driven (practical) objectives, outlined as follows:

Theoretically, the study aims to examine the link between dividend policy and stock price behavior through the lens of established financial theories, particularly signaling and agency theories. It also seeks to develop a conceptual understanding of both aggressive investment and financing strategies impact on—the dividend policy on stock prices, as key components of working capital management. Furthermore, the study explores the role of return on assets (ROA) in linking a firm's internal financial decisions to its market valuation. The four main practical objectives of the study listed below:

1. To evaluate the real-world impact of dividend policies on stock prices by analyzing data from manufacturing firms on the Kuwait Stock Exchange between 2019 and 2023.
2. To investigate the impact of aggressive investment strategies on the relationship between dividend decisions and stock performance.
3. To determine whether aggressive financing policies shape the way dividend policy impacts overall market outcomes.
4. To assess how return on assets (ROA) may moderate the relationship between dividend policy and stock prices, using key financial metrics.

This study is significant because as it demonstrates the impact of working capital management drives on the relationship between stock prices and dividend policy. Corporate managers may enhance dividend payments and preserve stock price stability through effective working capital management with the help of the findings, which provide insightful advice for financial strategy and investment choices. Beyond its applications, the work advances financial theory by illuminating an important but frequently disregarded facet of corporate finance. (Raheman et al., 2010) in accordance to the survey, manufacturing organizations should employ finance specialists who can offer particular advice and methods for optimizing their financial resources in order to manage working capital efficiently. Although the relationship between the dividend policy and stock prices has been widely studied, the impact of working capital management as a moderating factor remains underexplored. Very few studies have addressed this issue in the context of emerging markets, particularly within Kuwait's manufacturing sector. This research addresses that gap by using firm-level data from the Kuwait Stock Exchange between 2019 and 2023. In doing so, it offers fresh insights into how investment and financing strategies can shape investor perceptions and market value.

2. Literature Review:

Sharif et al. (2015) explores the relationship between dividend policy and stock prices Using data from 45 non-financial companies listed on the KSE-100 index over a twelve-year period, then utilizing the pooled regression, fixed effects, and random effects tests, the research discovers that a higher dividend payout ratio is strongly related with rising stock prices, which is consistent with the Bird-in-Hand theory; earnings per share also demonstrate a positive correlation with stock prices, while profit after tax and return on equity have little to no impact, with the latter even demonstrating a negative relationship.

Vavilina et al. (2019) investigates the evolution of dividend payout policies in Russian businesses and their effect on stock prices and company reputation. The dividend signalling hypothesis demonstrates that dividends are an indicator of financial stability and profitability, both of which are critical to a business's long-term survival. Furthermore, it explorer various industry dividend policies and classifies them as aggressive, moderate, or cautious.

The study finds that new dividend policies assist builds a company's reputation, especially for state-owned enterprises trying to draw in international investors, even though it shows no significant relationship between stock prices and dividend amounts.

Nwamaka & Ezeabasil (2017) examines the relation between dividend policy and firm value. By using data from ten publicly traded corporations over a 20-year period (1995-2015), It examines Market Price Per Share (MPS) as the dependent variable, with Earnings Per Share (EPS) and Dividend Per Share (DPS) as important factors, using ordinary least square regression for primary data and multiple regression analysis for secondary data. The findings highlight the importance of dividends as a signalling tool and show the significance of dividend policy in establishing company value, particularly for public limited businesses.

Hunjra et al. (2014) examines the relation between dividend policy and business value by examining data from ten publicly owned companies between 1995 and 2015. It examines Market Price Per Share (MPS) as the dependent variable, with Earnings Per Share (EPS) and Dividend Per Share (DPS) being significant factors, using ordinary least square regression for primary data and multiple regression analysis for secondary data. The results highlight the utility of dividends as a signalling tool and demonstrate how important dividend policy is in establishing company value, specifically for public limited businesses.

2.2. Theoretical Framework:

2.2.1. Dividend Policy:

Dividend policy is essentially the approach company in deciding what portion of its profits to pay out as dividends to shareholders and how much to keep for future growth. This decision gives investors a glimpse into the company's financial health and growth prospects. It can also affect stock prices and how investors view the company. Factors like profitability, cash flow, and overall business strategy play a big role in shaping this policy. (Raed, 2020) considers that dividend policy can be determined by two essential elements: the first is the decision to distribute dividends to shareholders, and the second is the choice to retain earnings for reinvestment in future projects**.** (Raheman et al., 2010) found that long-term debt has an insignificant relationship with price volatility. Therefore, dividend policy plays a significant role in influencing changes in share prices within the Colombo stock market. The company must balance maximizing the owners' wealth with ensuring enough funds are available to finance growth projects, which plays a key role in controlling administrative opportunism. Companies try to recover more of the costs incurred due to the work (EDOKPA et al., 2024).

2.2.1.1. Dividend Pay-out Ratio:

The Dividend Pay-out Ratio measures the percentage of a business's profit paid out to shareholders as dividends. It reflects how much profit is returned to investors versus how much is retained for reinvestment or debt repayment. A company's cash flow situation is a key factor in determining dividend pay-outs. If liquidity is low, the firm is likely to offer smaller dividends because of limited cash availability**.** (Gill et al., 2010) contends that dividend payments are more closely tied to cash flows, which better show a company's capacity to pay dividends, rather than current profit, which are more subject to accounting practices. He contends that the organization's capacity to pay dividends is not accurately reflected in current earnings.

2.2.1.2. Stock Price:

The current market value of a company's shares is referred to as its stock price, reflecting the price at which investors are willing to buy or sell. It is influenced by factors such as company performance, market conditions and investor sentiment**.** (Menon, 2016) Share prices are subject to various influences, with the issuing company's performance being a key factor, alongside the significant impact of broader market forces. As a result, stock prices fluctuate daily due to these market dynamics.

2.2.2. Working Capital Management Policy:

Working Capital Management Policy involves a company's approach to handling its short-term assets and liabilities to maintain smooth operations and sufficient liquidity. It aims to optimize cash flow, manage inventory, and control receivables to meet immediate obligations and enhance profitability. (Yahya & Salman, 2024) Financial stability helps banks grow their investments and avoid crises, but too much loan growth can cause issues. A good working capital management policy keeps credit in check, balances cash flow, and supports financial strength (Afza & Nazir, 2007) The basic objective of working capital management is to retain all of its components in the best available balance. The ability of financial executives to effectively manage payables, inventory, and receivables is crucial to the revenue of organizations, it could affect how dividend policy and stock price are related.

2.2.2.1. Aggressive Investment Policy:

An Aggressive Investment Policy allocates a larger portion of funds to high-risk, high-reward assets, targeting maximum growth and returns. This approach usually emphasizes potential gains over security, resulting in increased volatility within the investment portfolio. (Naqi, 2020) A low percentage of current assets compared to total assets and an elevated proportion of current liabilities compared to total liabilities are features of an aggressive working capital strategy. Aggressive financing policies—such as employing high leverage or relying on debt to fund operations—can impact a company's financial stability and liquidity. These strategies alter the level of risk and expected returns for investors, thereby influencing stock price behaviour in response to dividend policies. This study incorporates aggressive financing policies to examine how a company's financial structure interacts with dividend decisions to shape market reaction.

2.2.2.2 Aggressive Financing Policy

Aggressive Financing Policy entails utilizing a greater share of short-term loans to finance a business's operations, with the goal of lowering financing costs. This strategy heightens risk due to the need for frequent refinancing and exposure to interest rate changes. Aggressive financing policies are a key tool in demonstrating how a company funds its operations and investments, whether through debt or equity. The level of financial leverage impacts the company's financial flexibility and stability, influencing investor perceptions and market responses to dividend-related decisions. (M. Oloo & Mwangi, 2014) Aggressive financing policy is a key aspect of working capital management, making it a crucial area of focus in corporate finance. Working capital management encompasses overseeing components such as accounts receivable, inventories, cash and cash equivalents, and accounts payable. It also entails determining the best funding possibilities to satisfy working capital requirements. the findings of the study, businesses may use risky financial practices to boost short-term earnings during recessions, but these approaches could potentially damage long-term stability (Ahmed Khaleel & Zaid Ibrahem, 2024).

2.2.2.3 Return on Assets

A company's return on assets (ROA) shows how well it uses its resources to generate earnings by comparing its profitability to its total assets. (Ibrahim et al., 2025) indicates a company's capacity to use its assets more profitably is reflected in a higher Return on Assets (ROA). It is computed by dividing net profit by total assets, giving a clear indication of how well a business uses its resources. (Purba et al., 2020) Return on Assets (ROA) determines how well a business makes use of its resources to turn a profit. (ROA) is a critical tool for evaluating a company's efficiency in converting its assets into profits. A higher ROA indicates stronger profitability and operational effectiveness, which can boost investor confidence. As a key financial performance metric, ROA offers insights into how internal financial decisions—such as dividend policy—are interpreted by the market and how they may affect stock price movements.

2.3. Hypotheses Development

H1: Dividend policy has a significant effect on stock prices among manufacturing firms listed on the Kuwait Stock Exchange.

H2: Aggressive investment policy moderates the relationship between dividend policy and stock prices, such that the relationship becomes stronger or weaker depending on the level of investment aggressiveness.

H3: Aggressive financing policy moderates the relationship between dividend policy and stock prices, altering the strength or direction of the relationship based on financing aggressiveness.

H4: Return on Assets (ROA) significantly moderates the relationship between dividend policy and stock prices, enhancing the impact of dividend policy when ROA is higher.

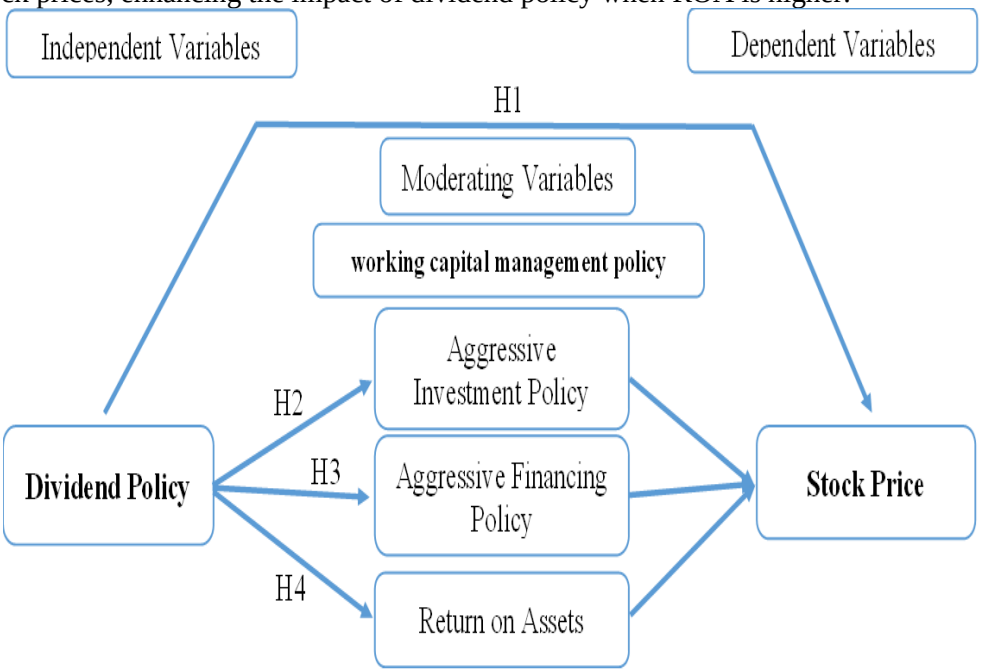

Figure 1: Theoretical Framework

Source: Prepared by researchers.

3. Methodology of Research:

3.1. Research design:

In this study, the researcher used quantitative methodology in order to analyse the relation between stock price and dividend policy. with the use of multivariate panel regression aimed at showing the effect of working capital management policy on this relationship. Using secondary data from the manufacturing industry available on the Kuwait Stock Exchange, companies' annual financial statements. This type of study explains how the dependent variable shows the relationships that are obtained with other variables. This model has also been used by each of (Ahmad et al., 2024; Pranesti & Kusuma, 2021; Salih, 2024).

$$SP = a + \beta 1 DPR + \beta 2(DPR * AIP) + \beta 3(DPR * AFP) + \beta 4(DPR * ROA) + e \ldots (1)$$

Description:
SP: Stock Price (Dependent variables).
DPR: Dividend Payout Ratio (Independent variables).
AIP: Aggressive Investment Policy (Mediation variables).
AFP: Aggressive Financing Policy (Mediation variables).
ROA: Return on Assets (Mediation variables).
a: Constants.
β1, β4: Partial Coefficient Regression
e: Error

3.2. Data collection:

The data required for this study, derived from audited financial statements of 21 companies published on the Kuwait Stock Exchange for the period 2019-2023, is used to analyse the moderating effect of their working capital management policy on the relationship between dividend policy and share price in manufacturing sector companies (www.boursakuwait.com.kw).

Table 1: The stock Number of the 21 companies.

No	Name of Company	Stock Number
1	Gulf Cables & Electrical Industries Group Co.	CABLE 505
2	Kuwait Cement Company (K.P.S.C.)	KCEM 503
3	Heavy Engineering Industries & Shipbuilding Co. (K.S.C.P)	SHIP 506
4	Kuwait Portland Cement Co. (K.P.S.C)	PCEM 508
5	Shuaiba Industrial Co. (K.S.C)	PAPER 509
6	Metal & Recycling Co. (K.S.C.)	MRC 510
7	ACICO industries Co. (K.S.C)	ACICO 512
8	NATIONAL INDUSTRIES COMPANY (K.S.C.)	NICBM 520
9	EQUIPMENT HOLDING CO. (K.S.C.P)	EQUIPMENT 522
10	Agility Public Warehousing Company (K.S.C.P)	AGLTY 603
11	National Cleaning Co. (K.S.C.P)	CLEANING 609
12	Kuwait & Gulf Link Transport Co. (K.P.S.C)	KGL 614
13	The Kuwait Company for Process Plant Construction and Contracting (K.P.S.C)	KCPC 618
14	HUMAN SOFT HOLDING CO. (K.S.C)	HUMANSOFT 623
15	Combined Group Contracting Co. (K.S.C)	CGC 635
16	United Projects for Aviation Services Co. (K.S.C.P)	UPAC 640
17	Alafco Avaiation Lease And Finance Co. (K.S.C.P)	ALAFCO 642
18	Mubarrad Holding Co. (K.S.C)	MUBARRAD 650
19	Integrated Holding co kscp	INTEGRATED 824
20	JTC Logistics Transportation & Stevedoring Company (K.S.C.P)	JTC 829
21	Specialities Group Holding Co. (K.S.C)	SPEC 2010

3.3. Identification of Variables:

3.3.1. Independent variables:

Dividend Payout Ratio:

The dividend pay-out ratio is determined in companies by dividing the dividend amount by net income multiplied by 100%. This ratio shows how much of the income after the deduction of corporate taxes is paid to shareholders (Shabrina & Hadian, 2021).

$$\textbf{Dividend Payout Ratio} = \frac{\textbf{Total Divident}}{\textbf{Net Income}} \textbf{ X 100} \ldots\ldots\ldots (2)$$

3.3.2. Dependent variables:

Stock Prices:

The stock price is the price at which it is currently trading on the stock exchange, based on the demand and exposure of participants operating in the stock market. The study used the price obtained at the end of each financial year (SUKESTI et al., 2021).

3.3.3. Mediation variables:

3.3.3.1. Aggressive Investment Policy:

An aggressive investment policy is achieved by dividing current assets by the total assets owned by the firm. Compared to fixed assets, AIP results in a low degree of current assets investment. A prudent investment strategy, on the other hand, allocates a higher proportion of money to current assets at the opportunity cost of lower returns. A more active policy is indicated at a lower rate (Murugesu, 2013).

$$\textbf{AIP} = \frac{\textbf{Current Assets}}{\textbf{Total Assets}} \ldots\ldots\ldots (3)$$

3.3.3.2. Aggressive Financing Policy:

Maintaining high levels of short-term obligations and low levels of current assets about public assets is considered an aggressive policy. We'll talk more about it. This involves a lot of risk because the company has more short-term liabilities than assets but high returns. After all, the level of net working capital is negative. Aggressive fiscal policy is therefore determined by dividing short-term liabilities by the total assets owned by the firm (M. S. Oloo & Mwangi, 2014).

$$\textbf{AFP} = \frac{\textbf{Current Liabilities}}{\textbf{Total Assets}} \ldots\ldots\ldots (4)$$

3.3.3.3. Return on Assets:

Return on Assets (ROA) shows companies' ability to use available resources properly to generate profit. ROA is measured by dividing earnings after deducting taxes by the company's total assets (Sangawi & Abdulla, 2024).

$$\textbf{ROA} = \frac{\textbf{Net Profit After Taxes}}{\textbf{Total Assets}} \ldots\ldots\ldots (5)$$

4.Results Discussion:

4.1. Analysing Descriptively:

Table 2: Statistic Descriptive

	SP	DPR	DPR*AIP	DPR*AFP	DPR*ROA
Mean	452.8000	341.2653	83.29265	47.51242	3.311233
Median	218.0000	44.84529	15.22985	5.762536	1.947195
Maximum	3799.000	29239.34	5718.138	3766.480	33.05295
Minimum	22.00000	-355.9358	-53.95023	-46.10268	-8.791272
Std. Dev.	713.9398	2855.139	562.1621	367.9951	6.284376
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Observations	105	105	105	105	105

Source: Data analyzed with EViews Vers 22.

Table 2 results reveal considerable variability in how dividend policy affects stock prices, especially when taking into account working capital management strategies like Aggressive Investment Policy (AIP), Aggressive Financing Policy (AFP), and Return on Assets (ROA). Raheman et al concluded that the study's findings highlight the effect of dividend policy on market prices (Raheman et al., 2010). For instance, the Dividend Payout Ratio (DPR) shows a high standard deviation of 2855.139, indicating that companies apply dividend policies in very different ways. Some companies report extreme DPR values like a maximum of 29239.34 while others show much lower values, with a minimum of -355.9358. The large difference between the mean (341.2653) and median (44.84529) DPR suggests a skewed distribution, driven by outliers that significantly influence the overall averages. Looking at the interaction terms, such as DPR*AIP (83.29265) and DPR*AFP (47.51242). On average, aggressive investment and financing strategies appear to strengthen the positive effect of dividend policy on stock prices. However, there are also negative minimum values for these interactions—e.g., -53.95023 for DPR*AIP and -46.10268 for DPR*AFP—which show that, in some cases, these strategies can lead to adverse effects. This highlights the complex nature of these interactions and emphasizes the importance of thoughtful working capital management to ensure that dividend policies consistently contribute positively to stock value.

With all the variables and interaction terms—DPR, DPR*AIP, DPR*AFP, and DPR*ROA—having a probability value of 0.000000, it's clear that these relationships are statistically significant and not due to random chance. While the mean values suggest a generally positive effect, the presence of extreme values and high variability across the data points reminds us that the impact is not the same for every firm.

In summary, the data shows that working capital management strategies like AIP, AFP, and ROA play a crucial role in shaping the connection between dividend policy and stock price, with effects that vary across companies. While these strategies generally boost the positive impact of dividend policy on stock prices, they can also sometimes lead to negative outcomes. This complexity underscores the need for careful, strategic management to ensure that dividend policies consistently drive stock value growth.

Table 3: ANOVA Test using EViews

Test for Equality of Means Between Series			
Sample: 2019 2023			
Included observations: 105			
Method	**df**	**Value**	**Probability**
Anova F-test	(4, 520)	2.281232	0.0595
Welch F-test*	(4, 208.052)	11.56934	0.0000
*Test allows for unequal cell variances			

The ANOVA F-test evaluates the equality of means for the series from 2019 to 2023, based on 105 observations. It yields an F-value of 2.281232 and a p-value of 0.0595. This p-value is slightly above the 0.05 threshold, indicating that at the 5% level, the mean differences are not statistically significant, assuming equal variances across groups. Therefore, the result suggests only weak evidence of differences in means, and it does not provide strong support for a significant difference between the groups.

4.2. Results of Correlation:

Table 4: Correlation analysis using EViews

	SP	**DPR**	**DPR*AIP**	**DPR*AFP**	**DPR* ROA**
SP	1				
DPR	-0.04909*	1			
DPR*AIP	-0.046027*	0.996218***	1		
DPR*AFP	-0.51161**	0.999637***	0.997284***	1	
DPR*ROA	0.877174***	0.011291*	0.019415*	0.008839*	1

Notes: ***Significant at 10% level; **Significant at 5% level: *Significant at 1% level

The correlation results in table 4 highlight significant relationships between dividend policy and stock price, as well as interactions involving aggressive investment, financing policies, and return on assets. The Dividend Payout Ratio (DPR) has a weak negative correlation of -0.04909 with Stock Price (SP), significant at the 5% level. However, DPR shows a strong positive correlation with its interactions with Aggressive Investment Policy (AIP) and Aggressive Financing Policy (AFP), with coefficients of 0.996218 and 0.997284, respectively, both highly significant. Notably, the interaction between DPR and Return on Assets (ROA) is strongly positive with SP, at 0.877174, indicating that higher returns on assets enhance the dividends' positive effect on stock price. The moderate negative correlation of -0.51161 between DPR*AFP and DPR*ROA suggests some adverse effects in specific contexts, highlighting the nuanced influence of working capital management strategies on stock value.

4.3. Results of Regression:

Table 5: Panel Data for Fixed Effects, data analyzed by EViews

Dependent Variable: SP				
Method: Panel Least Squares				
Total panel (balanced) observations: 105				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	395.8030	25.15545	15.73429	0.0000
DPR	-0.511888	0.270172	-1.894674	0.0619
DPR*AIP	-0.898408	0.453480	-1.981142	0.0500
DPR*ROA	16.15643	6.246684	2.586401	0.0116
DPR*AFP	5.325339	2.548846	2.089314	0.0400
Effects Specification				
Cross-section fixed (dummy variables)				
Period fixed (dummy variables)				
R-squared		0.978453		
Adjusted R-squared		0.970514		
F-statistic		123.2555		
Prob(F-statistic)		0.000000		

The following is the research model's equation:

$$\mathbf{SP = 395.803 - 0.512 * DPR - 0.898(DPR * AIP) + 5.325(DPR * AFP) + 16.156(DPR * ROA) + e} \dots\dots\dots (\mathbf{6})$$

Table 5 presents the results of a panel least squares regression analysis on the dependent variable, Stock Price (SP), using 105 balanced panel observations. The intercept (C) is highly significant with a coefficient of 395.8030 (p-value = 0.0000). The Dividend Payout Ratio (DPR) has a negative coefficient of -0.511888 and is marginally significant (p-value = 0.0619). The interaction between DPR and Aggressive Investment Policy (DPR*AIP) also shows a negative impact on SP, with a coefficient of -0.898408 and a p-value of 0.05, close to the 5% significance level. Notably, DPR's interaction with Return on Assets (DPR*ROA) has a strong positive effect on SP, with a coefficient of 16.15643 (p-value = 0.0116), while DPR's interaction with Aggressive Financing Policy (DPR*AFP) is positive and significant, with a coefficient of 5.325339 (p-value = 0.0400). The high R-squared value of 0.978453 indicates that the model explains approximately 97.85% of the variance in stock prices, with the F-statistic also being highly significant (p-value = 0.000000), confirming the model's overall fit.

4.4. Hypothesis testing:

Hypothesis (H1):

The null hypothesis suggests that dividend policy has no significant effect on stock price, while the alternative suggests a significant effect. The negative correlation between DPR and Stock Price (SP) (p-value = 0.0619) is considered marginally significant, so we fail to reject the null hypothesis for H1, indicating weak evidence that dividend policy affects stock price. This suggests that dividend policy may not be a strong driver of stock price changes in this sample.

Hypothesis (H2):

The null hypothesis suggests that aggressive investment policies don't moderate influence the connections between dividend policy and stock prices, while the alternative argues they do. Given that DPR*AIP shows a significant negative effect (p-value = 0.05), we reject the null hypothesis for H2. This indicates that aggressive investment policies do play a role in moderating the impact of dividend policy on stock prices. However, it's important to note that this moderation harms the connections.

Hypothesis (H3):
The alternative hypothesis argues that dividend policy has an impact on stock prices, but the null hypothesis holds that return on assets (ROA) has no such effect. Given the significant positive effect of DPR*ROA (p-value = 0.0116), we accept the alternative for H3 and reject the null hypothesis. This indicates that the positive impact of dividend policy on stock prices is reinforced by return on assets. Simply put, the relationship between a company's dividend policy and stock price gets stronger when the company achieves higher returns on assets.

Hypothesis (H4):
The alternative hypothesis argues that aggressive financing policies have an impact on stock prices, whereas the null hypothesis holds that they have no effect. We accept the alternative for H4 and reject the null hypothesis since DPR*AFP exhibits a positive and significant effect (p-value = 0.0400). This indicates that the positive connection between dividend policy and stock prices is actually strengthened by aggressive financing measures. In other words, a company's financing strategy is crucial to increasing the effect of its dividend policy on stock price performance.

5. Conclusion:

This study examines the impact of working capital management policies on the relationship between dividend policy and stock prices in manufacturing firms listed on the Kuwait Stock Exchange from 2019 to 2023. Since the relationship between dividend policy and stock prices is only weakly significant, the findings indicate that dividend policy alone has minimal impact on stock prices. However, the relationship changes when combined with factors such as aggressive financing policies, return on assets, and aggressive investment policies, providing helpful information for financial decision-making. This study highlights how signalling theory and agency theory help explain the link between dividend policy and stock prices, especially when working capital management comes into play. According to signalling theory, when a company announces dividends, it conveys information about its financial health—something investors pay close attention to. Agency theory, on the other hand, helps us understand how good management of working capital and dividend decisions can reduce conflicts between managers and shareholders. By using these theories as a foundation, the study sheds light on how a company’s internal financial choices affect investor behaviour, particularly in the context of the Kuwait Stock Exchange.

According to findings of this work, the relationship between dividend policy and stock prices is negatively impact by aggressive investment policies. This implies that excessive investment can indicate financial overextension in the market and lower the perceived value of dividends. Return on assets, on the other hand, has a large positive moderating effect, suggesting that profitable operations and efficient operations not only increase dividend benefits but also promote investor confidence, which raises stock prices. Aggressive financing policies also show a positive moderating effect, which means that by strategically using debt to show financial strength and growth potential, dividend-paying companies can become more desirable.

All things considered, this the interconnected nature of financial plans. The company's overall financial and operational environment determines the dividend policy's actual impact, despite its importance. Manufacturing companies should have a balanced strategy that ensures effective asset use, wise investment choices, and well-managed financing tactics in order to maximize shareholder value. Businesses can improve stock performance, promote long-term growth, and increase market confidence by bringing these factors into alignment.

Authors Declaration:

Conflicts of Interest: None

-We Hereby Confirm That All The Figures and Tables In The Manuscript Are Mine and Ours. Besides, The Figures and Images, which are Not Mine, Have Been Permitted Republication and Attached to The Manuscript.

- Ethical Clearance: The Research Was Approved by The Local Ethical Committee in The University.

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