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FACTORS OF CORPORATE DIVIDEND POLICY FORMATION AND THEIR ROLE

ФАКТОРИ ФОРМУВАННЯ ДИВІДЕНДНОЇ ПОЛІТИКИ КОРПОРАЦІЙ ТА ЇХ РОЛЬ

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The dividend policy of corporations is, without exaggeration, one of the most complex and controversial issues in the theory and practice of financial management. Numerous studies have failed to provide a clear answer either regarding the optimal dividend size or the impact of dividend policy on corporate value. The purpose of this study is to quantitatively assess the effect of net profit margin on the Dividend Payout Ratio (DPR). The analysis is based on a sample of 129 publicly listed companies in the EU and the United Kingdom using 2024 data. An analysis of the impact of several indicators on the dividend payout ratio was carried out: net profit margin, return on assets ratio, and return on equity ratio. The interdependence between the dividend payout ratio, dividend yield, and dividends per share was determined. Conclusions were made regarding the key factors that influence corporations' decisions on dividend payments and their size.

Keywords: profitability, publicly listed companies, dividend payout ratio, net profit margin, dividend yield, ROA, ROE.

Дивідендна політика корпорацій – без перебільшення одне із найбільш складних та суперечливих питань теорії та практики фінансового менеджменту. Численні дослідження так і не дають чіткої відповіді і щодо оптимального розміру дивідендів, і щодо впливу дивідендної політики на вартість корпорацій. Фактично сучасні корпорації формують власну дивідендну політику методом спроб та помилок, і мають враховувати і внутрішнє середовище, і динаміку ринкових показників (насамперед, ринку акцій). При виборі дивідендної політики також потрібно враховувати, що дивіденди є потужним сигналом для існуючих та потенційних інвесторів. Метою дослідження є кількісне оцінювання впливу різних факторів на дивідендну політику корпорацій, насамперед, на коефіцієнт дивідендних виплат. Зокрема, статистично оцінено показники компаній вибірки: маржа чистого прибутку, прибутковість власного капіталу, прибуткові активів, дивідендна доходність, дивіденд в розрахунку на 1 акцію. Визначено кореляційний зв'язок між цими показниками та коефіцієнтом дивідендних виплат. На основі аналізу зроблено висновки щодо значущості окремих факторів для дивідендної політики корпорацій. Наукова новизна дослідження полягає у застосуванні кількісного порівняльного підходу до широкої вибірки компаній з деталізацією на рівні окремих фінансових показників. Практичне значення отриманих результатів полягає у можливості їх використання фінансовими менеджерами для формування дивідендної політики, в тому числі – для оцінки ймовірної реакції ринкової ціни акцій у відповідь на рішення щодо розміру дивідендів та режиму їх виплати. Таким чином, поточний рівень прибутковості є достатньо слабким сигналом для акціонерів про перспективи дивідендних виплат та їх розміри. Виявлено, що рівень маржинального прибутку, показники ROE та ROA посередньо впливають на коефіцієнт дивідендних виплат. Тобто корпорації формують



власну дивідендну політику з врахуванням впливу різних факторів, але при цьому прибутковість не відіграє вирішальної ролі. Дивідендна політика має бути прогнозованою на довгостроковому горизонті планування, а корпорація повинна давати ринку чіткі сигнали щодо своїх дивідендів.

Ключові слова: прибутковість, публічна компанія, коефіцієнт виплати дивідендів, маржинальний прибуток, дивідендна доходність, прибутковість активів, прибутковість власного капіталу.

Statement of the problem. Dividend policy is, without exaggeration, one of the most complex issues in corporate finance theory and practice. The range of existing recommendations on dividend policy spans from abandoning dividends entirely to maximizing dividends. However, real financial management is usually guided by numerous factors that influence dividend policy. The state of the economy, financial market dynamics, a company's access to capital markets, its current financial condition, and its assessment of business development prospects all influence both the fact of dividend payments and their size. However, profitability has been and remains the key factor in dividend policy, although even companies with the same amount of profit form their dividend policy based on their own interests. It should also be noted that dividend policy is considered in the context of capital structure policy and, accordingly, requires attention from researchers and financial leverage issues. Numerous economic challenges have significantly changed the environment in which modern corporations operate, but have not diminished the role and importance of dividend policy. All of the above underscores the relevance of this research.

Analysis of recent research and publications. The theoretical basis of dividend policy is quite broad, although several areas can be identified. These areas focus on the necessity of paying dividends and on their optimal amount. The starting point for modern dividend policy theory is an article by M. Miller and F. Modigliani [1], which argued that the size of dividends does not affect corporation's value. It should be noted that the conclusions of these authors are relevant only under certain assumptions that are practically impossible in the modern economy (for example, the absence of taxation). In turn, other works of that period viewed dividend policy as an important factor in determining market value and, accordingly, developed recommendations for optimal dividend policy [2-4]. Other scientific works highlight individual factors and their impact on dividend policy: the size and history of the company [5], objective information asymmetry [6]. Thus, E. Fama and K. French [5] described a trend toward a sharp decline in the number of US corporations paying dividends.

At the same time, the dividend reduction occurred amid record corporate profits. In turn, M. Baker and J. Wurgler [7] demonstrated that managers respond to market dynamics and pay dividends only when investors agree to an additional price "premium" for such payments. It is also worth paying attention to scientific works that examine the peculiarities of dividend policy in particular national markets and particular industries [8-9].

Highlighting previously unresolved parts of the overall problem. The existence of significant scientific achievements in corporate dividend policy does not alleviate the problem for financial managers. Dividend policy has been and remains one of the most challenging areas of modern corporate financial management. After generating profits, corporations find themselves at a crossroads. Two questions are key: "Should dividends be paid at all? If so, how much should they be?" Accordingly, the search for answers to these questions must be supported by relevant scientific research.

Formation of the objectives of the article (task statement). The purpose of the article is to identify the key determinants of dividend payments by corporations whose shares are listed on stock exchanges in the UK and the EU.

Summary of the main research material. To analyze the principles and rules of modern corporations' dividend policy, a representative sample of 129 enterprises was selected. All enterprises in the sample are public corporations whose shares are listed on European Union stock exchanges. This approach enabled the determination of how market indicators reacted to the size of dividend payments in 2024.

It should be noted that modern financial science employs several important indicators for the quantitative assessment of dividend policy and its outcomes. The study focused on the following indicators, as described in academic literature [1; 3; 5]:

1. The dividend payout ratio shows the percentage of a corporation's net profit allocated to dividends.

2. Net profit margin – an indicator that characterizes the ratio of net profit to sales revenue.

3. Return on assets ratio – demonstrates the efficiency of asset utilization in generating profit.

4. Return on equity ratio – demonstrates the efficiency of equity utilization in generating profit.

5. Dividend yield – calculated as the ratio of dividends to the current market price of shares.

6. Dividend per share – the amount of dividends paid per share.

Each of these quantitative indicators characterizes a particular aspect of a corporation's dividend policy. Obviously, all of these indicators correlate to some extent. Therefore, only a comprehensive analysis enables relevant conclusions about the impact of profitability on the dividend policy of modern European corporations.

An analysis of the primary calculation data revealed several important trends in the financial strategy of the companies in the sample.

First, the average return on assets (ROA) is 6,02%, but there is a significant difference across companies. The minimal value is -69,7%, while the maximum indicator is 27,8%. However, the proximity of the sample median (5,69 %) to the average value indicates that the sample does not have extreme values, and the distribution of the return on assets indicator is largely symmetrical.

Second, the average return on equity (ROE) is 17,8%. Note the significant spread between ROE and ROA (11,8 %). This characterizes positively the process by which companies use debt capital and the financial leverage effect they obtain. As with the return on assets indicator, the median ROE value (16,6 %) is quite close to the average. In other words, companies are quite successfully exploiting the key advantages of debt capital – its lower cost and “tax protection.” By increasing their debt share in the capital structure, companies increase ROE.

Thirdly, the relatively high dividend payout ratio is worth noting. According to the results of 2024, it stood at 43,6 %. This indicator shows that the companies in the sample highly value the impact of dividend policy on market value and therefore try to pay out a significant portion of their profits to shareholders. Only a few companies have completely abandoned dividend payments, or have a dividend payout ratio of less than 10%. At the same time, most companies in the sample actively use dividend policy as part of their financial strategy. Let us also note the following fact: the median dividend payout ratio of 42,8 % is almost identical to the

average value. The standard deviation level (25,8%) indicates that the sample values deviate insignificantly from the mean value.

What motivates corporate managers to set a sufficiently high dividend payout ratio? In this context, it is worth referring to the positive market reaction to dividend announcements. There must also be confidence that dividend payments will not reduce the corporation's investment opportunities. Overall, the dividend payout ratio shows a moderate positive correlation with other financial indicators. The correlation for the pair “Dividend payout ratio – ROE” is +0,284; for the pair “Dividend payout ratio – ROA” it equals +0,262; for the pair “Dividend payout ratio – Dividend yield” it is slightly lower at +0,169; and for the pair “Dividend payout ratio – Net profit margin” it amounts to +0,257. Among these results, particular attention should be paid to the correlation between the dividend payout ratio and dividend yield, as it allows, among other things, an assessment of the impact of dividends on stock market price trends.

Fourth, the impact of dividend policy on a share's price dynamics can be assessed using the dividend yield indicator. The logic of this metric is that every shareholder has two ways to earn a return on their investment: through dividends and through an increase in the market price of the shares. Numerous dividend policy theories seek to explain the reasons behind choosing between these types of income, the motivations of shareholders who forgo dividends, and how paying or not paying dividends affects a corporation's financial condition. In practice, dividend yield reflects the relationship between these two sources of return. Some studies emphasize that dividend yields on modern stock exchanges are relatively low, typically ranging from 1% to 3% [10]. This suggests that shareholders are more interested in capital gains (growth in market value) than in receiving dividends. The sample data support this conclusion, as the average dividend yield equals 3,98%. These data on the dividend yield of corporate shares somewhat contrast with the figures for the dividend payout level, as confirmed by the correlation coefficient. Dividend yield ranges from a minimum of 0,22% to a maximum of 47,1%.

It is worth dwelling on one of the basic indicators used to characterize dividend policy – net profit margin. It characterizes the company's ability to generate profit and pay dividends. Several important facts are worth noting. The average value of this indicator is 9,66%, the

maximum value is 43,8%, and the minimum is -30,9%. The median value for a series of net profit margin values is 8,84%. As we can see, this indicator does not differ significantly from the average value. The deviation is 0,82%, indicating the symmetry and normal distribution of the sample data.

It should not be overlooked that the dividend per share indicator shows zero or minimal negative correlation with other indicators, except, obviously, the dividend yield indicator. This confirms the thesis that profitability indicators play a certain role in determining the size of corporate dividends, but only in conjunction with other factors.

In this context, it is worth paying attention to the ratio of the median to the average for a series of dividend-per-share data. Thus, the average value for this indicator is USD 5,79, while the median is only USD 1,63. Accordingly, this difference between the statistical indicators indicates a right-sided asymmetry: against the general background, there are individual values of net profit per share that are excessively high, which reduces the relevance of estimates based on the mean.

Conclusions. The study allows us to draw several important conclusions regarding the impact of various factors on the dividend payout ratios of corporations in the European Union and the United Kingdom in 2024:

– Dividend policy has been and remains one of the most challenging issues in corporate financial management. An extremely large number of factors influence the quantitative

parameters of corporate dividend payments, and the impact of dividends on a corporation's market value remains ambiguous.

– The corporations in the sample use debt capital quite effectively in their financing structure, emphasizing its main advantages – "tax protection" and low cost. This allows them to increase their ROE thanks to the effect of financial leverage.

– The dividend payout ratio, as a share of net profit paid out as dividends, is quite high, but key profitability indicators – profit margin, ROE, and ROA – are not the main factors determining its value. The estimated correlation confirms this conclusion.

– The dividend yield indicators of the corporations in the sample are relatively low, which confirms the established priorities of most shareholders, who prefer an increase in the market price of shares to dividends. At the same time, the dividend per share indicator shows an uneven distribution among the companies in the sample.

Thus, the dividend policy of modern corporations confirms its ambiguous nature from the perspective of financial management. After receiving profits, corporations face a dilemma regarding the size of dividends and the regime for their payment. Both dividend theory and practice recognize that any decision regarding dividends can have an ambiguous effect on the market price of shares. Accordingly, the decision to pay dividends is a powerful signal to other economic agents and requires constant adjustment and review.

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