



## Internal financial determinants of stock prices in the banking sector: comparative evidence from Dubai and Abu Dhabi Stock markets

AZMEH, CHADI

International University for Science & Technology (Siria)  
Correo electrónico: [chadiazmeh@hotmail.com](mailto:chadiazmeh@hotmail.com)

HAMADA, RASHA

Damascus University (Siria)  
Correo electrónico: [prof.rhamada@gmail.com](mailto:prof.rhamada@gmail.com)

### ABSTRACT

The present study has been conducted to examine the impact of seven of most important internal factors on stock prices for all listed banks in Dubai and Abu Dhabi stock markets. Pooled Least Square, Fixed Effects (FE), and Random Effects (RE) models have been used to carry out the analysis for data pertaining to 23 banks for a time period between 2014-2017. The aim of the study is to examine the most important internal factors affecting stock prices in the banking sector of United Arab Emirates, and whether internal factors determining stock prices in this sector are the same for Dubai and Abu Dhabi stock markets. The results give evidence of positive and significant impact of Earnings Per Share (EPS) and Dividend Per Share (DPS) on market price for shares, in all markets for the former and only in Abu Dhabi stock market for the later. By contrast, the study reveals a negative impact of Return on Equity (RoE), Dividend Yield (DY), and Price Earnings (P\_E) on market price for shares. Even more important, the study gives evidence of differentiated impact of variables representing dividend policies, on market price for shares, between the two markets investigated in United Arab Emirates.

**Keywords:** stock price; internal determinants; fixed and random effects; Dubai and Abu Dhabi stock markets; banking sector.

**JEL classification:** D53, E44, G10.

**MSC2010:** 91B24, 91B28.

# Determinantes financieros internos de los precios de las acciones en el sector bancario: evidencia comparativa de los mercados bursátiles de Dubai y Abu Dhabi

## RESUMEN

El presente estudio se ha realizado para examinar el impacto de siete de los factores internos más importantes en los precios de las acciones de todos los bancos que cotizan en los mercados bursátiles de Dubai y Abu Dhabi. Se han utilizado modelos de mínimos cuadrados agrupados, efectos fijos (FE) y efectos aleatorios (RE) para llevar a cabo el análisis de datos pertenecientes a 23 bancos durante un período de tiempo entre 2014 y 2017. El objetivo del estudio es examinar los factores internos más importantes que afectan a los precios de las acciones en el sector bancario de los Emiratos Árabes Unidos, y si los factores internos que determinan los precios de las acciones en este sector son los mismos para los mercados de valores de Dubai y Abu Dhabi. Los resultados evidencian un impacto positivo y significativo de las ganancias por acción (EPS) y los dividendos por acción (DPS) en el precio de mercado de las acciones, en todos los mercados para el primero y solo en el mercado de valores de Abu Dhabi para el segundo. Por el contrario, el estudio revela un impacto negativo de la rentabilidad sobre el capital (RoE), la rentabilidad por dividendo (DY) y las ganancias por precio (P\_E) en el precio de mercado de las acciones. Más importante aún, el estudio proporciona evidencia del impacto diferenciado de las variables que representan las políticas de dividendos, en el precio de mercado de las acciones, entre los dos mercados investigados en los Emiratos Árabes Unidos.

**Palabras clave:** precio de mercado; determinantes internos; efectos fijos y aleatorios; las bolsas de valores de Dubái y Abu Dabi; sector bancario.

**Clasificación JEL:** D53, E44, G10.

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## 1. Introduction

Investment in shares has been considered as a crucial source of finance for fulfilling firm requirements such as expansion and diversification. It is generally recognized that investors are risk averse in their financial decisions. The volatility of their investments cause important concern to them as it measures the degree of risk intensity that they bear. However, investor's knowledge and awareness about the determinants of share price are highly useful in order to make an optimal investment decisions. As factors controlling stock prices, scholars have attributed many internal and external factors. The company or internal factors are the size of the company, board structure, company performance, dividend strategy, book value and earnings. The external factors include governmental regulations, market conditions, business cycle, and macroeconomic variables such as inflation, gross domestic product (GDP), foreign direct investment (FDI), money supply, consumer price index (CPI), exchange rate, interest rate, industrial output, and oil price (Sharif et al., 2015). Furthermore, Sharma (2011) presented two approaches for predicting share prices. The fundamental approach predicts share price based on financial, environmental and managerial factors (Penman, 2004), and the technical approach which is based on past trends in predicting future share price (Stevens, 2002). Therefore, it is crucially important for investors to be aware of these different approaches and factors surrounding their investment decisions.

In the modern economic world, the banking system plays an essential role. Banks play an important role in the creation of new capital (or the formation of capital) in a country, thus support the growth process. They also influence poverty, entrepreneurship, labor market conditions and the economic opportunities available to people (Demerguç- Kunt & Levine, 2010; Al Samman & Azmeh, 2016; Azmeh et al., 2017). Money can be made by the banking system. More money is required for trade transactions as business grows. Usually, a country's legal tender money cannot be easily extended. Bank capital can be easily generated and used when more money is needed. Banks play an important role as suppliers of money, especially, in developing economies. Internal and foreign trade is promoted through the banking system. A significant part of trade is conducted on credit.

In Middle East countries, most stock markets have been recently established, so the nature and functioning of these stock markets are different from those in more developed countries like the USA, Japan, and England. Currently, two stock exchanges are functional in the United Arab Emirates: Dubai Stock Exchange and Abu Dhabi Securities Market. Both of markets were established, consecutively, in 2000 for the first and 2001 for the second market. As a result, the nature of work related to these two markets may differ from others outside the Middle East area. The aim of this study is two-fold. Firstly, it attempts to examine and determine the internal factors affecting the stock prices for listed banks in both markets. Secondly, it purports to compare results for both markets and for all banks listed in both markets, and to investigate whether there are any differences in internal factors affecting stock prices.

The importance of this study is to give insights for investors in the banking sector about the internal determinants of stock prices in the United Arab Emirates, and to answer a central question: whether internal factors affecting stock prices are the same for both United Arab Emirates stock markets, or they are different? In other words, this study attempts to investigate if stock markets, working in the same political, institutional, and economic environment, have same internal factors affecting stock prices? To test empirically the validity of the last arguments, this paper examines the impact of return on equity, book value per share, earnings per share, dividend per share, dividend yield, price earnings, and debt ratio on stock prices for all banks listed (23 banks) in the United Arab Emirates stock exchange markets (Dubai and Abu Dhabi). The authors choose the period between 2014-2017, since it has witnessed an important decline in the oil prices combined with an increase in geopolitical tensions. More attention was given to real sectors, especially the banking sector. This is why in our study we choose the banking sector. The 23 banks are listed in the two stock markets as follow: 11 in Abou Dhabi, and 12 Dubai stock markets, with no cross listing between the two markets. The study employed three different models: Pooled least square, fixed effect (FE), and random effects (RE) models for the years between 2014-2017. Panel data has been constructed due to its inherent merits

over cross sectional data. To the best of author's knowledge, this is one of the early studies to examine empirically this issue in a systematic manner.

The rest of the paper is organized as follows. Section 2 discusses the literature review. Section 3 covers the methods and materials. Section 4 presents the empirical results and Section 5 concludes the paper and discusses some policy implications.

## 2. Literature review

Collins (1957) pioneered studies on share price determinants for the US sector and listed dividend, net profit, operating earnings and book value as the predominant variables influencing US share prices. Thereafter, a substantial body of theoretical and empirical literature has emerged that takes into account the stock price determinants of the shares. Irfan and Nishat (2002) defined factors influencing Karachi Stock Exchange share prices. They found payout ratio, size, leverage and dividend yield as relevant factors impacting stock market prices in Karachi.

In the same way, Das and Pattanayak (2007) analyzed shares at the Bombay Stock Exchange. Their study showed that higher profits, return on assets, prospects for development and favorable pricing have beneficial impacts on equity market values, while higher risk and uncertainty have reverse effects. Focusing on three sectors, namely, auto, healthcare and public sector in India, Nirmala, Sanju and Ramachandran (2011) concludes that dividend, price-earnings ratio and leverage are the most important determinants of share prices. Furthermore, Khan et al. (2011) examined the effect of dividend policy on Stock prices in Malaysia for 55 companies listed at KSE-100 Index. Their results showed that dividend yield, earnings per share, return on equity and profit after tax have positive impact on stock prices, while retention ratio is negatively related to stock prices. Aveh and Awunyo-Vitor (2017) found that accounting information, specifically earning per share, return on equity, book value and market capitalization of the firms, is relevant in explaining stock prices.

Several studies focused, mainly, on the impact on dividends (proxied by dividend yield and dividend payout) on stock prices. They gave evidence of a positive and important impact of dividend policy and stock prices (Black & Scholes, 1974; Capstaff, Klaeboe & Marshall, 2004; Pani, 2008; Majanga, 2015; Budagaga, 2017; Farrukh et al., 2017; Phan & Tran, 2019). Al-Ali (2020) concluded an important effect of dividends in the form of shares and retained earnings on the market share price of Jordanian Islamic financial companies. Mohammed and Evana (2015) examine the relationship between stock price, dividend and retained earnings of 29 listed banks of Chittagong Stock Exchange. The study found that both, dividend and retained earnings have strong influence over the stock price, though there was moderate explanatory power of those variables. By contrast, other studies demonstrate the existence of negative impact of dividend yield and dividend payout on share price changes. They attributed their results to irrelevant concept of dividend between investors, who consider dividend payments as the outcome of past performance rather than a reflection of future performance (Baskin, 1989; Uddin & Chowdhury, 2005; Denis & Osobov, 2008; Budagaga, 2020).

The impact of book value per share on stock prices has also been analyzed by several studies. Findings of these studies suggest that book value per share and other firm specific factors play a crucial role in determining market price of the share. Book value per share depicts a sound financial performance, which in turn, affect stock prices in positive way (Balkrishnan, 1984; Zahir & Khanna, 1982; Sharma, 2011). Obeidat (2009) found a significant effect of earnings per share and book value per share on stock market price in the Abu Dhabi Securities Market, whereas no significant effect of dividend per share was found.

External and technical factors also have an important and significant impact on stock prices. These factors might include macroeconomic variables such as inflation, gross domestic product (GDP), foreign direct investment (FDI), money supply, consumer price index (CPI), exchange rate, interest

rate, industrial output, and oil price. According to Ibrahim and Aziz (2003), there is a short term, as well as, long term relationship between the macroeconomic variables and the Kuala Lumpur Composite Index. Their conclusion was confirmed by several studies (Liu & Shrestha, 2008; Narayan et al., 2014; Wu & Lee, 2015; Braun, 2016), which indicates that industrial production and money supply have positive relationship with Chinese stock indices, while inflation, interest rate and exchange rate have reverse impact on stock prices. Arora and Bhimani (2016) indicated that GDP, inflation and earnings per share to have impact on prices of common stock for 263 manufacturing companies in Singapore, but the relationship does not seem to be very strong. Antono et al. (2019) found an evidence of positive and significant effects of world oil price on stock price for mining companies in Indonesia. They also demonstrate that inflation has negative and significant effect on the stock price while exchange rate has no significant effect on stock price.

Other technical factors that may affect stock prices include competition, political instability, governmental policies, strikes, wars and fraud (Adam & Tweneboah, 2008; Al-Tamimia et al., 2011). Rudd (2009) concludes that approximately 32 US trillion dollars was lost by global equity markets during 2009 as a result of the global financial crisis in 2008. Furthermore, Chen and Siems (2004), by measuring the deviation of index return from their average, concluded that the September 11 terror attacks on USA had negative and significant impact on global capital markets. On the other hand, Al-Malkawi et al. (2020) purports that the global financial crisis seems to be insignificant determinant of stock prices in the case of MENA countries.

Several studies examined the impact of internal factors on stock prices for banks in different stock markets around the world. Arshad et al. (2015) found that earning per share, book to market value ratio, and interest rate are important determinants of share prices for commercial bank listed in Karachi stock exchange from 2007 to 2013. Almumani (2014) investigates the impact of dividend per share, earning per share, size, price earnings ratio, book value, dividend payout ratio, and the market price on share prices for listed banks in the Amman stock Exchange from 2005 to 2011. The study gave evidence of an important role for earnings per share, book value, and price earnings ratio in determining share prices. According to Al-Shubiri (2010), earnings per share and dividend ratio have a significant positive impact on stock prices for 14 commercial banks listed in Amman Stock Exchange. Furthermore, Al-Omar and Al- Mutairi (2008) concluded that earnings per share and book value per share affects stock prices for seven Kuwaiti banks from 1980 to 2004. A good review of the literature is available in Hassani et al. (2014).

Based on precedent literature, the current paper aims to empirically explore the internal determinants of stock prices for the banking sector in the United Arab Emirates stock markets. It purports to examine the impact of seven most important determinants, tested previously by other scholars for different sectors in different countries, on stock prices. It will divide the sample to three different groups: all listed banks in Dubai and Abu Dhabi stock markets, listed banks in Dubai stock markets, and listed banks in Abu Dhabi stock markets. The reason behind this is to examine whether internal factors affecting stock prices are the same for both United Arab Emirates stock markets? In other words, this study attempts to investigate if stock markets, working in similar political, institutional, and economic environment, have same internal factors affecting stock prices.

### **3. Methods and materials**

The data was retrieved from the financial statements of all banks listed in the United Arab Emirates stock exchange markets (Dubai and Abu Dhabi). At present 23 banks are listed in the two Emirates stock exchange. Panel data for the years ranging from 2014-2017 were constructed and all listed banks were included in the study with a total number of 736 observations (23\*4\*8). Panel data has been constructed due to its inherent merits over cross sectional data, as it gives: more informative data, variability, degrees of freedom, efficiency, and less collinearity among variables (Baltagi, 2001). Table 1 specifies the variables and how they are measured.

**Table 1. Summary of variables and research expected signs.**

Variables	Definition	Symbol	Expected Sign
<b>Dependent variable</b>			
Market price of share	Closing share price as at 31 <sup>st</sup> December for the years studied	MPS	
<b>Independent variables</b>			
Return on Equity Ratio	$\frac{\text{Net Income}}{\text{Average Owners' Equity}}$	ROE	+
Book value per share	$\frac{\text{Total stockholders' equity}}{\text{Number of Shares outstanding}}$	BVPS	+
Earnings per Share	$\frac{\text{Net Income}}{\text{Average Number of Shares}}$	EPS	+
Dividend Per Share	$\frac{\text{Dividend paid}}{\text{Average Number of Shares}}$	DPS	+
Dividend yield	$\frac{\text{Dividend Per Share}}{\text{Current stock price}}$	DY	-
Price earnings	$\frac{\text{Current stock price}}{\text{Earnings per Share}}$	P/E	+
Debt Ratio	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$	DR	-

Source: Own elaboration.

Table 2 below displays a detailed description of the summary statistics of all variables used in the study. The mean, standard deviation, minimum and maximum values for all variables are reported.

**Table 2. Summary Statistics of variables for the period (2014-2017).**

Variable	Mean	Std. Dev.	Minimum	Maximum
ROE	0.0835639	0.0763301	-0.224000	0.225000
BVPS	30.8022	109.262	0.0893324	602.247
EPS	3.51159	12.9104	-0.380000	80.7357
DPS	0.467420	1.32188	0.000000	7.69231
DY	0.0332800	0.0257859	0.000000	0.100000
P_E	12.1073	22.1635	-33.0400	142.710
DR	0.834582	0.0863583	0.477557	0.939804
MPS	12.0278	46.4281	0.0400000	400.000

Source: Own elaboration.

It is worth noting in Table 2 above that there is a large difference in the PE minimum and maximum values (min= -33.04 and max= 142.71). This means that people can afford to pay a large

premium for good results while they are reluctant to invest in underperforming banks. An overview of the dividend policy statistics, which are proxied by dividend yield and dividend per share, is also noteworthy. Here, too, we should notice that there are banks that do not pay dividends at all; and the difference between the minimum and maximum values is important, especially for DPS. Furthermore, we should also notice the value of DR, which is high in average for all banks. In fact, banks depend on debt to finance their activities. thus, the higher the DR, the higher is the risk, which will impact negatively the stock price. A correlation matrix was developed to infer the degree of correlation between the variables tested in an effort to detect multicollinearity. The results of the matrix can be found in Table 3 below.

**Table 3. Correlation coefficients for the period (2014-2017).**

	ROE	BVPS	EPS	DPS	DY	P_E	DR	MPS
ROE	1.0000	0.0946	0.1139	0.1809	0.5484	0.0100	-0.0618	0.0835
BVPS		1.0000	0.9817	0.6022	-0.0622	-0.0487	0.1483	0.9912
EPS			1.0000	0.5839	-0.0361	-0.0518	0.1470	0.9940
DPS				1.0000	0.2891	-0.0858	0.1262	0.3274
DY					1.0000	-0.1853	0.1730	-0.0629
P_E						1.0000	0.0999	-0.0471
DR							1.0000	0.1004
MPS								1.0000

Source: Own elaboration.

Drury (2008) states that if there is 70 percent and beyond of multicollinearity between two variables, it is a case of concern. We notice a serious case of multicollinearity in the current analysis, as the overall association between BVPS and EPS is 98 percent. A VIF test is conducted to further check multicollinearity among independent variables for the full set of data. Results show important values for BVPS and EPS, which confirm our concern for the existence of multicollinearity among these two variables. To solve this issue, we exclude BVPS from our data and rerun the VIF test. The mean VIF value is 1.370, which is very small, thus affirming the absence of any multicollinearity in the new dataset. Results are presented in Table 4.

**Table 4. Variance inflation factor (VIF) test for the period (2014-2017).**

Variable	VIF all variables	VIF without BVPS
ROE	1.831598	1.586033
BVPS	185.2814	
EPS	199.8540	1.282526
DPS	2.788841	1.342120
DY	1.893687	1.789164
P_E	1.099511	1.097136

DR	1.163088	1.125698
Mean VIF		1.370446

VIF: Variance Inflation Factor test.  
Source: Own elaboration.

## 4. Empirical results

### 4.1. The empirical model

In accordance with previous research analyzing the relationship between the internal variables of firms and the market share price, the following regression specification is used.

$$MPS = f(IF) \quad [1]$$

MPS represents the market price of share which is a function of internal factors variables (IF).

In our analysis, the general model intended to be used to evaluate the impact of internal factors variables on MPS can be defined as follows:

$$MPS_{it} = \alpha + \beta_1 ROE_{it} + \beta_2 EPS_{it} + \beta_3 DPS_{it} + \beta_4 DY_{it} + \beta_5 P\_E_{it} + \beta_6 DR_{it} + \mu_{it} \quad [2]$$

where:

MPS: is the variable that represent market price of share,

$\alpha$ : is the constant,

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ : coefficients for the internal factors variables,

ROE, EPS, DPS, DY, P\_E, DR: are the internal factors variables,

$\mu$ : is the error term,

i: refer to the bank studied while (t) to time period.

In order to estimate Equation (2), two estimation methods were applied. The first method is the pooled ordinary least square (POLS). The second method, which is commonly used in panel data analysis, is the fixed and random effects models (FE, RE). The Hausman specification test is employed to decide whether results from FE or RE models are more convenient. The study applied the three Models (POLS, FE, RE) on three group of listed banks in the stock markets: listed banks in Dubai stock market, listed banks in Abu Dhabi stock market, and all listed banks in United Arab Emirates. The main reason behind this exercise is to examine whether internal factors affecting stock prices are the same for both United Arab Emirates stock markets and for all listed banks, or are they different? All results are reported in Table 5.



**Table 5. Determinants of market price share in the United Arab Emirates stock markets for the period (2014-2017), using POLS, FE, RE models.**

	<i>POLS regression</i>			<i>Fixed-effect model</i>			<i>Random-effect model</i>		
<b>Model</b>	<b>Dependent variable: MPS</b>			<b>Dependent variable: MPS</b>			<b>Dependent variable: MPS</b>		
<b>Regressions</b>	<b>Abu Dhabi</b>	<b>Dubai</b>	<b>Full</b>	<b>Abu Dhabi</b>	<b>Dubai</b>	<b>Full</b>	<b>Abu Dhabi</b>	<b>Dubai</b>	<b>Full</b>
Const	3.669 (2.785)	-14.609 (6.077)**	-8.10415 (3.728)**	-1.830 (11.108)	<b>-4.859</b> <b>(67.291)</b>	<b>-10.029</b> <b>(29.131)</b>	<b>2.460</b> <b>(3.467)</b>	-14.608 (6.077)**	-8.104 (3.729)**
ROE	-5.386 (3.471)	27.239 (15.858)*	-0.644 (6.030)	-2.601 (6.029)	<b>-1.184</b> <b>(37.479)</b>	<b>-18.010</b> <b>(8.188)**</b>	<b>-4.827</b> <b>(3.566)</b>	27.239 (15.858)*	-0.644 (6.030)
EPS	4.356 (1.212)***	8.192 (0.103)***	8.232 (0.074)***	4.141 (2.856)	<b>12.283</b> <b>(2.468)***</b>	<b>13.287</b> <b>(1.462)***</b>	<b>4.550</b> <b>(1.405)***</b>	8.192 (0.103)***	8.232 (0.074)***
DPS	11.349 (2.479)***	-4.718 (0.758)***	-4.998 (0.534)***	6.633 (4.384)	<b>-6.007</b> <b>(29.696)</b>	<b>-5.090</b> <b>(11.419)</b>	<b>10.007</b> <b>(2.799)***</b>	-4.718 (0.758)***	-4.998 (0.534)***
DY	-40.338 (10.313)***	-72.875 (47.150)	1.067 (19.672)	-24.546 (13.067)*	<b>-151.566</b> <b>(136.956)</b>	<b>-34.766</b> <b>(40.366)</b>	<b>-34.842</b> <b>(10.542)***</b>	-72.875 (47.150)	1.067 (19.672)
P_E	-0.006 (0.007)	-0.009 (0.034)	-0.007 (0.018)	-0.013 (0.006)**	<b>-0.0006</b> <b>(0.039)</b>	<b>-0.005</b> <b>(0.018)</b>	<b>-0.009</b> <b>(0.006)</b>	-0.009 (0.034)	-0.007 (0.018)
DR	-1.554 (3.268)	18.067 (7.607)**	11.130 (4.549)**	5.211 (12.766)	<b>-1.739</b> <b>(81.023)</b>	<b>7.299</b> <b>(33.285)</b>	<b>-0.187</b> <b>(4.092)</b>	18.067 (7.617)**	11.130 (4.550)**
<b>Observations</b>	<b>44</b>	<b>40</b>	<b>84</b>	<b>44</b>	<b>40</b>	<b>84</b>	<b>44</b>	<b>40</b>	<b>84</b>
<b>Adj R-squared</b>	0.873	0.995	0.995	0.902	0.995	0.995			
<b>Hausman test</b>							9.987 p-value=0.12	13.471 p-value=0.03	26.8866 p-value=0.000

Standard errors are in brackets. \* significant at 10%, \*\* significant at 5%, and \*\*\* significant at 1%.

The dependent variable is market price share MPS. Control variables are: return on equity (ROE), earnings per share (EPS), dividend per share (DPS), dividend yield (DY), price earnings (P\_E) and debt ratio (DR).

Source: Own elaboration.

## 4.2. Empirical analysis and findings

The regression analysis for the POLS model, which is our general model, showed an adjusted R-square of (0.873, 0.995, and 0.995) for our three groups of listed banks. This means that more than 87% of the variation in stock market price for listed banks in Abu Dhabi, and more than 99% for listed banks in Dubai and all listed banks in United Arab Emirates are explained by the variables included in the study. The value of the coefficient for ROE is positive and statistically significant (at 10% level) only for Dubai stock market. It is also positive and statistically significant for EPS in all groups at 1% level. More importantly, results for DPS shows conflicting outcomes. The value of the coefficient is positive for Abu Dhabi, while it is negative for Dubai and all listed banks at 1% level. Furthermore, the value of the coefficient for dividend yield (DY) is negative and statistically significant at 1% level, only at Abu Dhabi stock market. Concerning our last variable (DR), results showed a positive and significant impact (at 5% level) for only Dubai and full listed banks.

Under another model, namely the FE and RE, the findings were further analyzed. From Table 5, it is obvious that the Hausman test favored the FE estimate for Dubai and full listed banks (p-value = 0.03 for Dubai and 0.00 for full listed banks), while it favored RE for Abu Dhabi (p-value = 0.12). We based our analysis on these three regressions. Results for these last regressions revealed important differences with our previous results from POLS model. In effect, the value of the coefficient for ROE is negative for all three regressions but only statistically significant at 5% level for all listed banks. This means that ROE has a negative and important impact on market stock prices in the banking sector in United Arab Emirates. Moreover, the values of coefficient for EPS are positive and statistically

significant at 1% level for all markets (Dubai, Abu Dhabi, and all listed banks in both markets). Hence, earnings per share seem to have an important impact on stock market prices for all banks and in both markets (Dubai and Abu Dhabi). These results are consistent with the findings of Al-Omar and Al-Mutairi (2008), Al-Shubiri (2010), Almumani (2014), and Arshad et al. (2015). Concerning the dividend per share (DPS) variable, the regression results showed a positive impact on market stock prices with significance at 1% level but only for Abu Dhabi stock market. The results for Dubai and full listed banks are negative, even though they are not statistically significant. This last result is of great importance, since it shows that internal financial determinants of stock market prices may be different between stock markets in the same country. The variable dividend yield showed a negative impact on stock market prices, but results were significant (at 1% level) only for Abu Dhabi stock market. This is consistent with previous studies suggesting that investors are not affected by dividend policies (Baskin, 1989; Uddin & Chowdhury, 2005; Denis & Osobov, 2008; Budagaga, 2020). While some investors base their investment decision on these policies in order to get instant benefits, others are more inclined to capital gains and they prefer to avoid taxes on dividends. Results also show a negative impact of price earnings on stock market price in all regressions, but they are not statistically significant. Regarding values the coefficients of our last variable DR, results confirm our previous conclusion about different impact of the same variable in different markets in the same country. In effect, although all results are not statistically significant, they showed a negative impact on stock market prices for Abu Dhabi and Dubai stock markets, and positive impact for the full listed banks in both markets.

## 5. Results and concluding remarks

The main aim of the present study was to analyze the determinants of market price for shares of banks listed in the United Arab Emirates stock exchange markets. By dividing the sample to three different groups: all listed banks in Dubai and Abu Dhabi stock markets, listed banks in Dubai stock markets, and listed banks in Abu Dhabi stock markets, it examined whether internal factors affecting stock prices are the same for both United Arab Emirates stock markets.

Financial data were retrieved from the financial statements of all banks listed in the United Arab Emirates stock exchange markets (Dubai and Abu Dhabi). In effect, 23 banks are listed in the two Emirates stock exchange. Panel data for the years ranging from 2014-2017 has been constructed and all listed banks have been included in the study with a total number of 736 observations (23\*4\*8). The estimation method is based on POLS regression, Fixed-effect, and Random effect models. After applying a VIF test on our primary data, one variable was excluded from the study due to multicollinearity concern between variables. The study mainly examined the impact of six variables namely return on equity (RoE), earnings per share (EPS), dividends per share (DPS), Dividend yield (DY), price earnings (P\_R), and debt ratio (DR), on market price for shares (MPS).

The empirical findings revealed a positive and significant impact of earnings per share (EPS) on market price for share, for all markets (Dubai, Abu Dhabi, and all listed banks in both markets), which is consistent with previous scholars findings (Al-Omar and Al-Mutairi, 2008; Al-Shubiri, 2010; Almumani, 2014; Arshad et al., 2015). The study also gave evidence of an important positive impact of dividend per share (DPS) on market price for shares but only for Abu Dhabi stock market. By contrast, the study showed a negative impact of return on equity (ROE) and dividend yield (DY) on market price for share in all markets, although it was significant only for full listed banks in the former, and for Abu Dhabi stock market in the later. The results are consistent with previous studies suggesting that investors are not affected by dividend policies (Baskin, 1989; Uddin & Chowdhury, 2005; Denis & Osobov, 2008; Budagaga, 2020). The study also revealed a negative, but not statistically significant, impact of price earnings (P\_E) on market price for shares for all stock markets. More importantly, concerning dividend per share (DPS) and dividend yield (DY), the study gave evidence of a differentiated results between all markets. The impact of (DPS) on market price for shares was positive and statistically significant in Abu Dhabi, while it was negative for Dubai and full listed banks (even though not statistically significant). Furthermore, the impact of dividend yield on market price for shares was

positive for all listed banks; while it was negative for Abu Dhabi and Dubai stock markets (all results were not statistically significant). These last results gave evidence of differentiated impact of some variables, mainly concerning dividend policy, on market price for shares for both stock markets in United Arab Emirates. Although the political, institutional, and economic environment, are the same for both markets, these last two variables seems to have different impact on market price for share in the banking sector.

Before making investment decisions, the study serves as a guide for potential investors in the banking sector in United Arab Emirates, to concentrate on the factors listed above. Investors are advised to track our examined variables (RoE, EPS, DPS, DY, P\_E, and DR) before they expand their portfolio. It also offers recommendations for the banks listed in United Arab Emirates to concentrate their focus on taking measures to improve the figures relating to the significant variables that have influenced the market price of shares established in this study. The study gives evidence of differentiated impact of variables representing dividend policies, on market price for shares, in the two markets investigated in United Arab Emirates. While some investors based on these policies in their investment decision in order to get instant benefits, others are more inclined to capital gains. One major drawback emerges from the study, since it only takes into account firm specific variables and excludes macro-economic variables such as GDP, inflation, interest rates, business cycles, etc. This opens an arena for further research to encompassing the macro and micro factors for unfolding a comprehensive idea of factors affecting MPS.

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