

# **Impact of Dividends, Revenue, and Net Income on the Market Capitalization of Companies Listed on the Casablanca Stock Exchange (Morocco)**

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## **Abstract**

This study examines the relative impact of dividends, net income, and revenue on the market capitalization of firms listed on the Casablanca Stock Exchange. Drawing on dividend relevance theory, signaling theory, agency theory, and the Modigliani–Miller framework, the research investigates whether payout policy and firm scale exert valuation effects beyond profitability in an emerging-market context. Using cross-sectional data for Moroccan listed firms in 2024, the empirical analysis shows that net income constitutes the primary determinant of market capitalization. Dividends retain a statistically significant effect even after controlling for profitability and revenue, suggesting an incremental signaling role. Revenue, while positively associated with market value, exhibits a comparatively weaker influence, indicating that scale alone does not drive valuation unless translated into earnings. The findings highlight a hierarchical valuation structure in the Moroccan stock market, where profitability dominates, dividends reinforce investor confidence, and revenue plays a supportive role. These results contribute to the debate on dividend irrelevance versus dividend relevance in emerging markets and provide updated empirical evidence on valuation drivers within the institutional setting of Morocco.

Keywords: Dividends; Market capitalization; Profitability; Revenue; Emerging markets; Casablanca Stock Exchange.

JEL Classification: G12; G14; G35

## 1. Introduction

Market value formation is one of the main challenges in corporate finance, particularly in emerging markets where institutional structures, investor behavior, and market depth differ significantly from those of developed economies. In this context, understanding the characteristics that determine market capitalization is important not only for managers and investors but also for policymakers, who are highly concerned with financial stability and capital market development.

In Morocco, the Casablanca Stock Exchange perfectly represents a concentrated and heterogeneous market at the sector level, dominated by large financial institutions, experienced industrial groups, and dividend-oriented companies. While classical financial theory focuses on profitability as the primary driver of value, empirical findings in emerging markets suggest that dividend policy and company size also play a significant role as stabilizing signals or factors. However, empirical studies often analyze these determinants separately, without simultaneously assessing their contribution to valuation within an integrated framework.

This study addresses this issue by simultaneously analyzing the impact of dividends, net income, and revenue on the market capitalization of companies listed on the Casablanca Stock Exchange. It seeks to answer the following question: which financial signals dominate company valuations on the Moroccan stock market profitability, dividend policy, or scale of activity?

This research offers a three-part contribution.

- First, it provides updated empirical evidence based on a sample covering approximately 97% of the total market capitalization in 2024.
- Second, it contextualizes valuation mechanisms within the structural specificities of the Moroccan market, which is characterized by high sectoral concentration and highly heterogeneous company performance.
- Finally, it allows us to test opposing and competing theoretical perspectives within the same econometric framework, such as the irrelevance of dividends, their relevance, signaling theory, and earnings-based valuation approaches.

By combining theoretical positioning, stylized market facts, and econometric analysis, we can say that this study aims to highlight the relative importance of profitability, dividend distribution, and scale of activities in shaping stock market valuations within the context of an emerging economy.

The Casablanca Stock Exchange represents a concentrated market structure coupled with significant sector heterogeneity. These are characteristics likely to greatly influence valuation dynamics and the transmission of financial signals.

The Casablanca Stock Exchange is characterized by a high level of concentration, where a limited number of large firms particularly in banking and telecommunications, account for a substantial share of total market capitalization. The market also exhibits significant sectoral heterogeneity, with differences in profitability, dividend policies, and growth dynamics across industries. This concentration indicates that aggregate valuation trends are heavily influenced by the profitability and distribution policies of dominant firms, particularly in the banking and telecommunications sectors. This sectoral heterogeneity represents another important characteristic. Financial institutions generally exhibit relatively stable profitability, moderate leverage, and regular dividend policies. This contrasts with industrial, construction, and cyclical

companies, which, conversely, often display earnings volatility and more irregular distribution behavior.

This difference demonstrates that the sensitivity of valuation to profitability and dividends can vary across sectors, highlighting the need to contextualize empirical results. Dividend policy plays a significant structural role in the Moroccan market. Large cap companies generally maintain stable distribution practices, and dividend yield is often used as a selection criterion by domestic investors.

In an environment where alternative income-generating financial instruments remain rather limited, cash dividends can represent increased informational and stabilizing importance. This characteristic reinforces the potential of dividend relevance and signaling mechanisms within this institutional framework.

Sharehold concentration is another key characteristic. Many listed companies have controlling shareholders with significant stakes. In such governance structures, dividend policy serves both as a reputational signal for minority shareholders and as a mechanism for reducing agency conflicts related to the retention of available cash flow.

In markets characterized by informational frictions, financial signals may be interpreted with greater significance.

## **2. Literature review**

### **2.1. The Dividend irrelevance theory (Modigliani & Miller)**

According to Modigliani and Miller (1961), in a perfect capital market characterized by the absence of taxes, transaction costs, and information asymmetries, dividend policy has no impact on a company's value. Their dividend irrelevance proposition demonstrates that the choice between distributing dividends or retaining earnings has no influence on either the share price or the market capitalization, because shareholders can adjust cash flows according to their own preferences, either by reinvesting dividends or by selling some of their shares.

In such a framework, the company's value therefore depends solely on expected earnings and investment policy, and not on how profits are allocated between dividends and reserves. The dividend policy therefore demonstrates neutrality with regard to stock market valuation, at least under ideal market conditions.

This proposition constitutes the theoretical reference point for the debate on dividends. If the irrelevance of dividends is established in the Moroccan context, dividends should not have an independent effect on market capitalization once profitability is controlled. Any observed impact of dividends on valuation would then only demonstrate their mechanical relationship with earnings.

However, it should be noted that the strict assumptions of the Modigliani-Miller framework are rarely met in emerging markets, where information imbalances, shareholder concentration, and institutional tensions are common. The Moroccan market, defined by its sectoral concentration and heterogeneous performance, thus represents a relevant empirical setting for experimenting with whether dividend policy is truly neutral or whether it retains informational or strategic value beyond profitability.

## 2.2. Dividend Relevance Theory (Bird-in-the-Hand)

Contrary to the Modigliani-Miller irrelevance proposition, the dividend relevance theory often called the "bird-in-the-hand" hypothesis (Litner, 1956; Gordon, 1963) asserts that dividend policy directly influences a company's valuation. The central idea is that investors prefer a dividend with a certain and secure impact today to uncertain future capital gains. In environments characterized by risk aversion and uncertainty, immediate cash flows are seen as safer than retained earnings whose future profitability remains uncertain.

Within this framework, at a given level of profitability, companies with higher payout ratios can achieve a larger market capitalization. Dividend policy thus becomes a decision influencing valuation, rather than a simple allocation choice. This perspective assumes the existence of market imperfections such as uncertainty, information asymmetry, and investor risk sensitivity.

The relevance of dividends implies that investors can interpret stable and regular distributions as indicating a lower perceived risk. Dividend policy can then increase company value and reduce uncertainty about future returns. In emerging markets, where information frictions and institutional constraints are commonplace, this mechanism can be highly influential.

Applying this to the Moroccan context, if the relevance of dividends holds true, companies distributing more should have a higher market capitalization, even after accounting for profitability. Dividend policy thus becomes an independent determinant of valuation, and not simply a mechanical redistribution of profits.

## 2.3. Signaling Theory and Information Asymmetry

Signaling theory provides a more nuanced explanation of the link between dividend policy and valuation, particularly in the presence of information asymmetry between managers and investors. When managers possess private information about future earnings prospects, dividend decisions can then be used as credible signals of financial strength (Bhattacharya, 1978; John & Williams, 1985).

In this context, dividends are therefore not simply distributions of past profits, but strategic means of communication. A stable or rising dividend can then be interpreted as a signal of management's confidence in the sustainability of future cash flows, while conversely, a dividend cut is often interpreted as a warning sign. Empirical literature supports this mechanism: stock prices generally react positively to dividend increases and negatively to reductions (Asquith & Mullins, 1983), suggesting that dividend announcements convey information beyond current profitability.

The signaling perspective differs from both irrelevance and pure relevance. While relevance focuses on investors' preference for certainty, signaling theory emphasizes informational content. Crucially, if dividends act as signals, then their effect on market capitalization should persist even after controlling for net income. In other words, dividends would convey additional information about expected future performance beyond current earnings.

This mechanism can be highly relevant in emerging markets like Morocco, where information asymmetry, shareholder concentration, and limited analytical coverage reinforce the informational role of distribution decisions. Applying this mechanism to the Casablanca Stock Exchange reveals that maintaining or increasing dividends during periods of economic

uncertainty can act as a reputational signal, bolstering investor confidence and supporting valuations.

Recent research in emerging markets also highlights this informational channel. For example, Al-Hiyari (2024) demonstrates a systematic link between information asymmetry and dividend behavior in emerging markets, reinforcing the idea that dividend policy responds to informational frictions and can therefore help mitigate them. Thus, empirically testing whether dividends retain their explanatory power once profitability is controlled and managed provides a direct and immediate assessment of the signaling hypothesis in the Moroccan context.

#### **2.4. Agency theory, financial flexibility, and the corporate life cycle.**

Agency theory (Jensen and Meckling, 1967; Jensen, 1986) offers another explanation for the link between dividend policy and value. In the presence of conflicts of interest between managers and shareholders, withholding available cash flow can lead to inefficient or value-destroying investments.

Dividends can then function as a disciplinary mechanism, reducing discretionary resources under managerial control. By distributing excess cash, the company reduces agency costs and can therefore increase shareholder value.

In this context, dividend policy contributes to valuation not only through signaling or the preference for certainty, but also through its governance effects. If agency problems are significant, companies that distribute cash may be valued more highly because investors perceive a reduced risk of overinvestment or misallocation of resources.

Financial flexibility and residual dividend approaches introduce a dynamic dimension: companies adapt their dividend policy according to investment opportunities and access to external financing (Rozeff, 1982). Companies experiencing strong growth generally retain profits to finance expansion, while more mature companies, with fewer investment opportunities, are inclined to distribute more. Life cycle theory (Grullon et al., 2003; DeAngelo et al., 2006) elucidates this link between dividend policy and the firm's stage of development.

These additional approaches suggest that dividends reflect not only current profitability but also the firm's governance structure, maturity, and strategic positioning. In emerging markets, characterized by generally high shareholder concentration and where external financing is often expensive, agency and life cycle considerations can strengthen the relevance of dividends for valuation.

Even though these theories lead to nuanced predictions, they converge on a central implication: dividend policy has the power to influence market capitalization through multiple channels (disciplinary, informational, and maturity-related) rather than through a single mechanism.

#### **2.5. Dividends and Market Capitalization**

Recent empirical research on the Moroccan market has provided concrete evidence supporting the relevance of dividends for valuation.

Panel studies of companies listed in Casablanca highlight a statistically significant positive association between dividends and share prices. For example, Louziri and Oubal (2023), who

analyzed 43 listed companies, identified a positive elasticity between dividend per share and share price, suggesting that increased dividends are associated with higher valuations.

Other studies in Morocco support these findings. Using panel data on Moroccan listed companies, Lamyaa, Dekri, and Touili (2023) further demonstrate that dividend policies are positively associated with share price dynamics, supporting the idea that dividend policy has a valuation-related impact beyond simply distributing profits. These empirical constants support both dividend relevance theory and signaling theory. In the Moroccan context, dividends appear to convey information about financial stability and managerial confidence, particularly within a market characterized by shareholder concentration and limited analytical coverage. The rejection of strict Modigliani-Miller irrelevance in this context reinforces the idea that dividend policy has informational and strategic significance.

Beyond average effects, the literature highlights the stabilizing role of dividends during periods of uncertainty. During the 2020-2021 crisis, several listed Moroccan companies maintained or even increased their dividends, despite an unfavorable macroeconomic situation. This behavior can be interpreted as a signal indicating resilience aimed at maintaining investor confidence while limiting valuation declines. The "dividend parachute" effect suggests that stable distributions can reduce price volatility during periods of increasing uncertainty.

Similar trends can be observed in other emerging markets. In some African markets, such as Nigeria, empirical results confirm the positive influence of dividends on market capitalization, indicating that the relevance of dividends is greater when investor protection mechanisms and alternative returns are relatively limited.

The literature nevertheless highlights potential trade-offs. Excessively high distributions can restrict internal financing capacity while limiting future growth opportunities. Although recent studies in the Moroccan context do not systematically document a reversal effect, the existence of such a trade-off suggests that the relevance of dividends should be interpreted in conjunction with profitability and investment dynamics.

Generally, the empirical consensus indicates that dividends play a significant role in the valuation of the Moroccan market. Despite this, most studies analyze dividends in isolation, without simultaneously comparing their explanatory power to that of profitability and revenue. This gap justifies the integrated empirical framework adopted in this study.

## **2.6. Analytical Framework**

### ***2.6.1. Net Income (Profitability) and Market Capitalization***

Profitability is traditionally considered the primary factor determining value in corporate finance. Net income reflects a company's ability to generate sustainable cash flows, as well as finance investments and distribute dividends. From a valuation perspective, profits are the fundamental source of wealth creation for shareholders.

Recent empirical work in Morocco confirms the central role of profitability in explaining valuation. Some studies on companies listed in Casablanca highlight a positive and significant link between share prices and earnings per share (EPS).

Louzir and Oubal (2023) identify EPS as one of the most powerful explanatory variables for price changes, implying that investors closely monitor earnings capacity when forming valuation expectations. Moroccan findings on "value relevance" demonstrate that accounting

performance indicators, particularly those related to earnings, remain strongly linked to market valuation. Oubahou and El Ouafa (2024) analyze listed Moroccan companies and demonstrate that accounting information, such as earnings per share (EPS) and book value indicators, retains explanatory power regarding market value within an IFRS framework, thus confirming the centrality of profitability signals in relation to valuation.

Different studies highlight the growing importance of financial information in Morocco. The results suggest that higher profitability strengthens the association between accounting data and valuation, especially after the adoption of IFRS standards. Improved transparency has strengthened investor confidence in reported earnings, thereby enhancing the role of net income in the valuation process.

Furthermore, the adoption of IFRS is associated with quantifiable changes in the relevance of earnings-related indicators for valuation, thus reinforcing the idea that profitability signals are central to valuation mechanisms.

Long-term analyses of the Moroccan market highlight a significant earnings-related effect: stocks demonstrating high earnings relative to price tend to show stronger performance, indirectly reinforcing the decisive role of profitability in investment decisions. Although these studies focus more on returns than on market capitalization, their conclusions demonstrate the importance of earnings centrality in valuation.

Overall, contemporary literature tends toward the idea that profitability plays a key role in Moroccan stock market capitalization. However, most studies analyze earnings and dividends separately, without systematically comparing their relative explanatory power, and without incorporating revenue. The question therefore remains: does net income dominate valuation independently, or does it interact with dividend policy and scale of activity? This question requires an integrated empirical framework, such as the one developed in this study.

### ***2.6.2. Revenue (Scale of Activity) and Market Capitalization***

Revenue reflects the volume of activity and market presence, and it is often linked to company size. Large companies generally have high sales and tend to have significant market capitalization. Theoretically, revenue can signal growth potential and competitive positioning. However, unlike profitability or dividends, revenue is not directly representative of value creation if it does not translate into stable and sustainable profits.

In the Moroccan microcosm, however, empirical evidence on the direct relationship between revenue and market capitalization remains limited. In the Moroccan context, firm size is more often addressed from the perspective of market efficiency and fundamental anomalies than as a direct determinant of value. Consider, for example, Benfeddoul and Alaoui Taïb (2024), who examine fundamental anomalies in the Moroccan market and highlight inefficiency patterns characteristic of emerging markets. This helps explain why signals related to size or sales can lead to mixed empirical results depending on whether the dependent variable is valuation or returns.

Recent studies rarely analyze revenue as an isolated explanatory variable of value. Instead, research often analyzes associated indicators, such as the price-to-sales (P/S) ratio, generally from a return-based rather than a capitalization-based perspective.

The corresponding conclusions regarding sales-based metrics are mixed. Some analyses suggest that stocks with low P/S ratios outperform, conforming to classic value investing arguments. However, more sophisticated econometric approaches applied to Moroccan data lead to contrasting results, highlighting the importance of sectoral and institutional specificities.

Large companies operating in regulated or structurally dominant sectors, such as banking or telecommunications, can maintain high valuations despite significant profit margins, underscoring investor confidence in stable revenues and the ability to generate long-term cash flow.

These differences highlight that the scale of activity, considered in isolation, does not systematically determine valuation. Revenue influences market capitalization, primarily indirectly, through its conversion into profitability and margin stability. High sales without adequate profit generation are unlikely to support a high valuation. International literature, in turn, confirms that size is not the sole determinant of value. The seminal works (Banz, 1981) identified a size effect within developed markets, but more modern multifactor models (Fama & French, 2015) focus more on the quality and profitability of the investment rather than on scale.

Similarly, approaches based on “quality” (Asness et al., 2013) demonstrate that a high sales volume without sustainable long-term margins does not guarantee a higher valuation. These results underscore the idea that revenue has a significant influence on market capitalization, primarily through its interaction with profitability, rather than as an independent and autonomous determinant.

### ***2.6.3. Convergences, Divergences, and Emerging Trends***

Recent literature on the stock market in the Moroccan context highlights several convergences.

First, an empirical consensus is emerging regarding the importance of profitability and dividend policy in explaining valuation. More specifically, studies published in 2023-2024 highlight positive and statistically significant links between dividends, net income, and market capitalization. This convergence aligns with the outlook for dividend signaling and relevance, demonstrating that Moroccan investors place significant importance on tangible and concrete financial fundamentals.

The post-COVID period appears to have reinforced this trend. Companies exhibiting stable profitability and consistent distributions were viewed more favorably, revealing a growing preference for financial stability and predictable cash flows.

This development may signal a gradual market maturation, where valuations are increasingly based on identifiable fundamentals rather than speculative dynamics.

Nevertheless, the literature also highlights divergences and unanswered questions. The role of size and revenue remains uncertain. While traditional financial theory links scale to competitive advantage, Morocco's findings do not reliably document a size effect. Evidence based on sales-driven metrics, such as the P/S ratio, is mixed, implying that revenue alone does not systematically determine valuation.

Another point of divergence concerns financial leverage and its interaction with value. Some studies demonstrate a negative association between share price and lock-in, but these effects

are generally not statistically significant, suggesting that capital structure has not played a very important role in valuation in the recent period.

In general, the literature highlights a strong consensus on the relevance of profitability and dividends, but ambiguous and limited clarity regarding the independent contribution of revenue and other characteristics. Many studies consider these variables separately, rather than using a unified framework.

This separation brings to the forefront the question of their relative explanatory power when considered together, a gap that the integrated empirical approach of this study seeks to address.

In general, Moroccan results align with a broader pattern observed in emerging markets, where profitability and dividends are generally relevant for valuation, while conversely, scale-related indicators yield more variable results depending on the sector structure and market depth. Data originating from MENA banking markets also demonstrate a positive association between market value and cash dividends, suggesting that the relevance of dividends can be particularly powerful in comparable institutional environments.

### **3. Methodology**

#### **3.1. Research Hypotheses:**

##### **H1: Net income has a positive influence on market capitalization.**

This hypothesis stems from valuation models, which are themselves based on earnings, and the idea that a company's value is primarily defined by expected profitability. In the Modigliani-Miller framework, investment policy and returns are the sole determinants of value.

##### **H2: Dividends positively influence market capitalization.**

According to dividend relevance and bird-in-the-hand theories, dividend payouts can directly increase valuation by reducing uncertainty and meeting investor preferences.

##### **H3: Dividends retain explanatory power after controlling for profitability.**

This hypothesis is well-established in the signaling hypothesis. If dividends provide additional information about future performance, beyond current earnings, they must remain statistically significant even when profitability is included in the model.

##### **H4: Revenue has a weaker or indirect influence on market capitalization.**

Considering the tempered empirical results on size in the Moroccan context, turnover is supposed to influence valuation mainly through its interaction with profitability, rather than being an independent and autonomous determinant of value.

#### **3.2. Definition of the Empirical Objective**

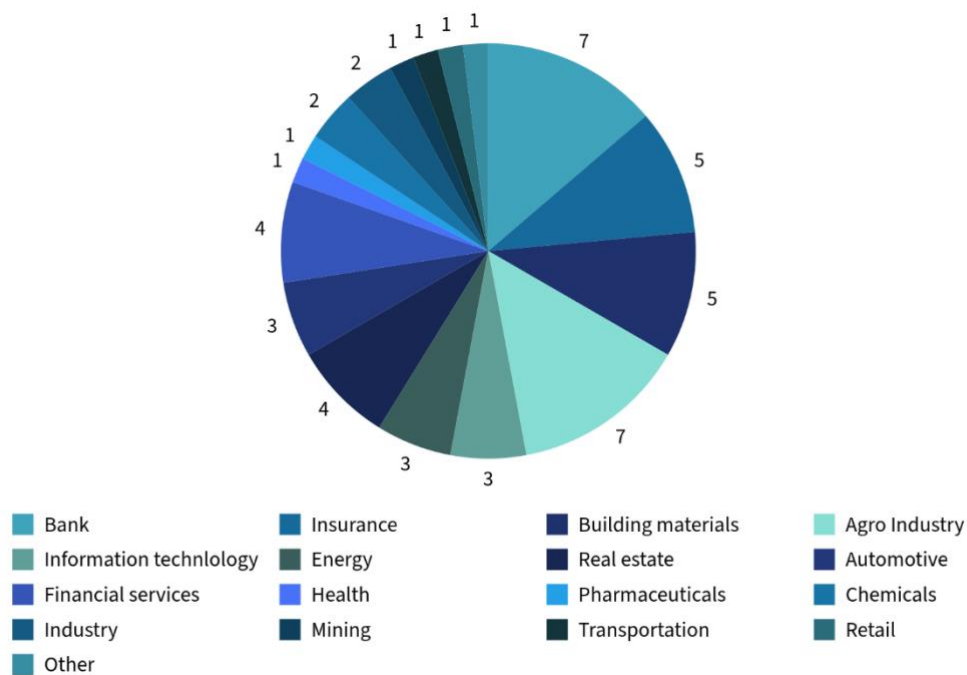
The empirical objective of this study is to show, using recent data and academic findings, how much the dividends, revenue, and net income influence the market capitalization of firms on the Casablanca Stock Exchange. More specifically, the research try to identify the direct and indirect relationships between these financial indicators and firm valuation. The purpose of this empirical study is:

- Assess the impact of dividend policy on market capitalization, testing whether dividend distribution in Morocco serves primarily as a signal of financial health or as a direct determinant of valuation.
- Evaluate the role of profitability (net income) in explaining stock market value, by analyzing its contribution as both a driver of dividends and a standalone determinant of firm capitalization.
- Explore the influence of revenue (firm size) to determine whether size related effects exist in the Moroccan context, or valuation depends more on revenue conversion into profits.

By pursuing these objectives, the study aims not only to provide empirical evidence on the determinants of stock market capitalization in Morocco, but also to confront the findings with established financial theories.

### 3.3. Data Description

This study is based on 57 firms listed on the Casablanca stock exchange, here is the breakdown by sectors:



**Figure 1: breakdown by sectors of the 57 firms listed on the Casablanca Stock Exchange.**

The sectoral distribution of listed companies on the Casablanca Stock Exchange is dominated by banks and agro-industry, each representing about 12.3% of the sample. Insurance and building materials follow with around 8.8% each, underlining the weight of financial services and construction in the Moroccan market.

Other sectors include financial services (7%), automotive (7%), real estate (5.3%), information technology (5.3%), and health (3.5%).

Energy, pharmaceuticals, chemicals, mining, transportation, retail, and other industries, each ranging between 1.8% and 3.5%.

The total of the market cap of this sample represents 97% of the total market cap of the casablanca exchange.

**Table 1: Descriptive Statistics (Full Sample)**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	57	97652500,00 00000000000 00	16400186156 9,000000000 000000	17139960710 ,2491200000 00000	29420449147 ,3678000000 00000
CONSOLIDATED REVENUE (MAD) 2024	57	43110076,58 00000000000 00	36699000000 ,0000000000 00000	5486860457, 04561400000 0000	7796204054, 99454100000 0000
CONSOLIDATED NET INCOME (MAD) 2024	57	- 81242000,00 00000000000	9504486000, 00000000000 0	642834264,1 23859600000 00	1419230363, 18193440000 0000
TOTAL DIVIDENDS AMOUT 2024	57	,0000000000 00000	3692200428, 00000000000 0000	410512422,4 73508600000 000	619265888,3 34583600000 000
valid N	57				

**Descriptive statistics for all variables across the full sample of Moroccan listed firms.**

The descriptive statistics highlight substantial dispersion across Moroccan listed firms in terms of size, revenue, profitability, and dividend distribution.

**Table 2: Agro industry sector**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	7	858916922	10238600000	3706115294, 86	3240931914, 625
CONSOLIDATED REVENUE (MAD) 2024	7	-81242000	850400000	184656235,5 7	310006631,3 35
CONSOLIDATED NET INCOME (MAD) 2024	7	1193500000	20314735745	6898864265, 00	6622207696, 896
TOTAL DIVIDENDS AMOUT 2024	7	0	944871430	215021347,1 4	334508117,2 78
valid N	7				

**Descriptive statistics for firms in the agro-industrial sector.**

Firms in the agro-industrial sector display moderate heterogeneity in firm size, profitability, and dividend distribution.

**Table 3: Atomotive sector**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	3	1740000000	4979158272	3077772640,00	1691532228,877
CONSOLIDATED REVENUE (MAD) 2024	3	2152542441,000000000000	5022141140,610000000000	3359054527,203333400000000	1488285724,707813300000000
CONSOLIDATED NET INCOME (MAD) 2024	3	17092037,28000000000	205383000,0000000000	124198354,960000000000000	96784923,902680220000000
TOTAL DIVIDENDS AMOUT 2024	3	2046528	209280000	94242176,00	105488159,206
valid N	3				

**Descriptive statistics for firms in the automotive sector.**

The automotive sector exhibits moderate variability across firms in terms of market capitalization, revenue, profitability, and dividend payments.

**Table 4: Banking sector:**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	7	7569193020	164001861569	45996983795,43	56593173277,193
CONSOLIDATED REVENUE (MAD) 2024	7	941408000	34507117000	13085388142,86	13206664903,281
CONSOLIDATED NET INCOME (MAD) 2024	7	275193000	9504486000	2756345428,57	3356136007,105
TOTAL DIVIDENDS AMOUT 2024	7	117498559,199999990000000	1459831932,000000000000000	626180282,742857100000000	524888894,932992400000000
valid N	7				

**Descriptive statistics for firms operating in the banking sector.**

The banking sector is characterized by large firm size, strong profitability, and relatively stable dividend distributions.

**Table 5: Building materials**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	5	848036280	44167887400	23119557332,00	17620156161,748
CONSOLIDATED REVENUE (MAD) 2024	5	1243450000	8154838000	5375235200,00	2771505594,153
CONSOLIDATED NET INCOME (MAD) 2024	5	36840000	1825688000	687947400,00	723888789,072

TOTAL DIVIDENDS AMOUT 2024	5	152100000	1640186800	867402971,60	603965474,598
valid N	5				

**Descriptive statistics for building materials firms.**

Firms in the building materials sector combine relatively high market capitalization with strong revenue levels and consistent dividend payouts.

**Table 6: Chemicals**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	2	1301131080	1466702601	1383916840,50	117076745,270
CONSOLIDATED REVENUE (MAD) 2024	2	311411000,0000000000	605017873,460000000000	458214436,730000000000	207611411,226546620000000
CONSOLIDATED NET INCOME (MAD) 2024	2	12428222,0000000000	45337135,2500000000	28882678,625000000000	23270115,72055482500000
TOTAL DIVIDENDS AMOUT 2024	2	3250000,00000000	41905788,600000000	22577894,3000000000	27333770,2511736380000
valid N	2				

**Descriptive statistics for chemical firms.**

The chemical sector includes relatively small firms with limited scale and moderate profitability levels.

**Table 7: Energy**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	3	14609375000	58971355000	29902910000,00	25185460617,411
CONSOLIDATED REVENUE (MAD) 2024	3	8773051000	16751842000	12134324000,00	4135080420,069
CONSOLIDATED NET INCOME (MAD) 2024	3	747392000	1052824000	911470333,33	153978844,366
TOTAL DIVIDENDS AMOUT 2024	3	601562500	1012480000	828939518,00	208936663,532
valid N	3				

**Descriptive statistics for energy firms.**

Energy firms display large market capitalization, high revenue levels, and relatively stable profitability and dividend distributions.

**Table 8: Financial services**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	4	341250000	2169654750	1413940702,50	866257491,651
CONSOLIDATED REVENUE (MAD) 2024	4	377617675	550137000	421396918,75	85829188,894
CONSOLIDATED NET INCOME (MAD) 2024	4	-5320000	135634000	82191250,00	61015227,812
TOTAL DIVIDENDS AMOUT 2024	4	,0000000000 0	73361646,00 000000000	39579288,31 25000000000	30279438,55 71310630000 0
valid N	4				

**Descriptive statistics for non-bank financial services firms.**

Non bank financial service firms are generally smaller in scale and exhibit greater variability in profitability and dividend policies.

**Table 9: Industry**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	2	97652500	143514690	120583595,00	32429465,549
CONSOLIDATED REVENUE (MAD) 2024	2	43110076,58 0000000000	105563865,5 40000000000	74336971,06 00000000000 0	44161497,68 44095440000 00
CONSOLIDATED NET INCOME (MAD) 2024	2	7985231,640 0000000	9916766,710 0000000	8950999,175 0000000000	922337,2036 854776000
TOTAL DIVIDENDS AMOUT 2024	2	0	6413000	3206500,00	4534675,788
valid N	2				

**Descriptive statistics for industrial firms.**

Industrial firms in the sample remain small in size with relatively stable but modest profitability levels.

**Table 10: Information technology**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	3	418657239,5 0000000000	1885762000, 00000000000	1242291746, 50000000000 00	749962307,8 86102900000 00
CONSOLIDATED REVENUE (MAD) 2024	3	900445777,7 80000000000 0	3137670704, 52000000000 00	1980917676, 54666660000 0000	1120561444, 63901780000 0000
CONSOLIDATED NET INCOME (MAD) 2024	3	67814205,42 0000000000	341486603,4 10000000000	162716116,3 36666670000 00	154918039,3 15339860000 000

TOTAL DIVIDENDS AMOUT 2024	3	2245747,5	75430480,0	48292075,83	40089069,14
valid N	3			3	60

### Descriptive statistics for IT firms.

The information technology sector shows moderate firm size with relatively stable profitability and dividend distributions.

**Table 11: Insurance**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	5	1226000000,0000000000	17675000000,0000000000	7503239867,5000000000	6773619558,29568400000
CONSOLIDATED REVENUE (MAD) 2024	5	172249000	13067306000	5033556600,00	5305190732,264
CONSOLIDATED NET INCOME (MAD) 2024	5	66626000	853761000	425312000,00	354503412,563
TOTAL DIVIDENDS AMOUT 2024	5	60000000,0000000000	1247816866,20000000000	438256732,039999960000	488672236,366546000000
N valide (liste)	5				

### Descriptive statistics for insurance firms.

Insurance companies display relatively large market capitalization combined with stable profitability and significant dividend payouts.

**Table 12: Real estate**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	4	548488000	11458787172	4650937118,00	5137058520,946
CONSOLIDATED REVENUE (MAD) 2024	4	49148694,4200000000	2363364000,0000000000	774233673,605000000000	1089842962,52833530000
CONSOLIDATED NET INCOME (MAD) 2024	4	14280669	301915000	165190167,25	155888065,676
TOTAL DIVIDENDS AMOUT 2024	4	1677434,4000000100	1169111031,00000000000	452138340,312499940000	561107452,309745600000
N valide (liste)	4				

### Descriptive statistics for real estate firms.

Real estate firms exhibit strong heterogeneity in size, revenue, profitability, and dividend distribution.

**Table 13: Others**

	N	Min	Max	Mean	Std
Market Cap (MAD) 2024	6	2542852675,000000000000	70459776000,0000000000	16181175320,8333340000	26659428203,8416630000
CONSOLIDATED REVENUE (MAD) 2024	6	1204347601,000000000000	5008150000,000000000000	2641370481,68666650000	1436183679,28330500000
CONSOLIDATED NET INCOME (MAD) 2024	6	75299358,000000000000	1266978000,000000000000	359322261,875000000000	453559689,849287750000
TOTAL DIVIDENDS AMOUT 2024	6	45442830,00000000	697258200,000000000	198170621,250000000000	250449611,291631730000
N valide (liste)	6				

**Descriptive statistics for firms classified as “Others”.**

Firms classified in the “other sectors” category display considerable dispersion in market capitalization, profitability, and dividend policies.

Sectoral Contrasts:

- Banks are the main driver of capitalization, profitability, and dividends.
- Building materials and insurance combine strong revenues with high payouts.
- Energy firms are large in scale with solid profitability.
- Agro-industry and automotive are mid-sized but very heterogeneous in performance.
- Smaller sectors such as chemicals, IT, real estate, and industry show greater volatility and weaker investor appeal.

**3.4. Econometric Model and variable:**

To assess the impact of financial indicators on market capitalization, the following linear regression model can be specified :

$$MCAP_i = \alpha + \beta_1 DIV_i + \beta_2 NI_i + \beta_3 REV_i + \beta_4 SIZE_i + \epsilon_i \quad (1)$$

With:

- **MCAP:** Market capitalization of firm i at time t (dependent variable).
- **DIV:** Dividends (total amount of dividends).
- **NI:** Net income (profitability indicator).
- **REV:** Revenue (proxy for firm activity and size).

- **SIZE**: Control variable, proxied by the logarithm of total assets, market capitalization, or revenue.
- $\varepsilon$ : Error term, capturing unobserved factors.

This model allows us to test whether dividend policy, profitability, and revenue significantly explain variations in market capitalization of Moroccan listed companies.

#### 4. Results and discussion

**Table 14: Collinearity Diagnostics and Economic Interpretation**

Modèle	Dimension	Valeur propre	Index de condition	(Constante)	Proportions de la variance		
					CA CONSOLIDÉ 2024	RST NET CONSOLIDÉ GLOBAL 2024	Montant dividendes total 2024
1	1	2,820	1,000	,04	,02	,02	,03
	2	,641	2,097	,47	,01	,18	,04
	3	,434	2,549	,46	,00	,07	,50
	4	,104	5,196	,02	,97	,72	,42

a. Variable dépendante : Capitalisation (MAD) 2024

**This table reports multicollinearity diagnostics, including VIF values and condition indices, confirming the absence of severe linear dependence among explanatory variables**

The multicollinearity diagnostics indicate that the largest condition index equals 5.196, well below conventional concern thresholds (10–30), suggesting the absence of harmful linear dependencies among explanatory variables. Variance decomposition proportions show that most of the variance associated with consolidated revenue (CA CONSOLIDÉ 2024) loads heavily on the last dimension (.97), with notable shares for consolidated net income (.72) and dividends (.42). Combined with acceptable VIF levels, these results indicate moderate correlation among predictors—primarily between revenue and net income—but no evidence of severe multicollinearity.

From an economic perspective, this correlation structure is consistent with the Moroccan market environment. In the Casablanca Stock Exchange, revenue, net income, and dividends are naturally interrelated: firms with larger sales volumes often generate higher profits, which in turn support dividend distributions. This pattern is particularly visible among large-cap firms, especially in the banking and telecommunications sectors, where stable revenue streams translate into predictable earnings and regular payouts.

Importantly, the absence of severe multicollinearity allows the regression model to isolate the independent contribution of each financial signal to market capitalization. In the Moroccan context, this is crucial because it permits a clearer distinction between:

- the scale effect (revenue),
- the profitability effect (net income),

- and the signaling or payout effect (dividends).

The moderate correlation between revenue and profitability also suggests that firm size alone does not mechanically determine valuation; rather, the market appears to differentiate between firms that merely generate high sales and those that efficiently convert sales into earnings and distributable cash flows. This distinction may be particularly relevant in sectors characterized by volatile margins, such as construction or industrial activities, compared to more stable banking institutions.

Therefore, while revenue, net income, and dividends are economically connected, the diagnostic results confirm that the Moroccan data structure allows for meaningful econometric separation of their respective valuation effects across firm sizes and sectors.

**Table 15: Coefficients table**

Modèle	Coefficients non standardisés		Coefficients standardisés	t	Sig.	Intervalle de confiance à 95,0% pour B		Corrélations			Statistiques de colinéarité	
	B	Erreur standard	Bêta			Borne inférieure	Borne supérieure	Corrélation simple	Partielle	Partielle	Tolérance	VIF
1 (Constante)	176645967,5	2079881587		,085	,933	-3995068196	4348360131					
CA CONSOLIDÉ 2024	,915	,432	,243	2,120	,039	,049	1,781	,838	,280	,120	,244	4,099
RST NET CONSOLIDÉ GLOBAL 2024	12,431	1,973	,600	6,300	,000	8,473	16,388	,858	,654	,356	,352	2,838
Montant dividendes total 2024	9,622	3,599	,203	2,674	,010	2,404	16,840	,557	,345	,151	,556	1,797

a. Variable dépendante : Capitalisation (MAD) 2024

**This table presents the estimated regression coefficients, showing the individual effects of net income, revenue, and dividends on market capitalization.**

#### 4.1. Regression Results and Economic Interpretation

All three explanatory variables display positive and statistically significant coefficients, indicating that profitability, revenue, and dividend distribution contribute to market capitalization formation in the Moroccan context.

Net income emerges as the dominant determinant ( $\beta = 0.600$ ,  $p < .001$ ), suggesting that valuation in the Casablanca Stock Exchange is primarily driven by profitability signals. This finding aligns with earnings-based valuation theory and is consistent with the structure of the Moroccan market, where banking and telecom firms—characterized by stable profit generation occupy a central position in aggregate capitalization.

Revenue also exerts a positive and significant influence ( $\beta = 0.243$ ,  $p = .039$ ), but its magnitude remains substantially lower than that of net income. This suggests that firm scale alone does not drive valuation; rather, the market rewards revenue primarily when it translates into sustainable earnings. In a concentrated market structure, size may enhance visibility, yet profitability remains the core valuation anchor.

Importantly, dividends retain statistical significance even after controlling for net income ( $\beta = 0.203$ ,  $p = .010$ ), providing empirical support for the signaling hypothesis. This result indicates that dividend policy conveys incremental information beyond accounting

profitability. In a market characterized by ownership concentration and relatively limited analyst coverage, dividend announcements may function as credibility-enhancing signals, particularly for income-oriented domestic investors.

Collinearity diagnostics confirm the robustness of the estimates ( $VIF < 5$  for all predictors), indicating that the observed effects reflect genuine valuation drivers rather than statistical artifacts.

**Table 16: Model summary**

Modèle	R	R-deux	R-deux ajusté	Erreur standard de l'estimation	Variation de R-deux	Modifier les statistiques			Durbin-Watson	
						Variation de F	ddl1	ddl2		
1	,911 <sup>a</sup>	,831	,821	1,24391E+10	,831	86,754	3	53	,000	1,943

a. Prédicteurs : (Constante), Montant dividendes total 2024, RST NET CONSOLIDÉ GLOBAL 2024, CA CONSOLIDÉ 2024

b. Variable dépendante : Capitalisation (MAD) 2024

**This table reports overall model fit statistics, including  $R^2$ , adjusted  $R^2$ , F-test significance, and diagnostic indicators.**

The model explains a substantial proportion of cross-sectional variation in market capitalization ( $R^2 = 0.831$ ; adjusted  $R^2 = 0.821$ ). The joint significance of the predictors is strongly supported ( $F(3,53) = 86.754$ ,  $p < 0.001$ ), indicating that revenue, net income, and dividend distribution collectively provide strong explanatory power in the Moroccan market context.

Net income emerges as the dominant valuation driver ( $\beta = 0.600$ ,  $p < 0.001$ ). This result suggests that profitability remains the primary anchor of equity valuation in the Casablanca Stock Exchange, particularly in a market dominated by banking and telecom firms characterized by stable earnings generation.

Revenue retains statistical significance ( $\beta = 0.243$ ,  $p = 0.039$ ), yet its magnitude remains materially lower than that of net income. This indicates that firm scale alone does not drive valuation; rather, the market appears to reward the efficient conversion of sales into sustainable earnings.

Dividends maintain independent explanatory power ( $\beta = 0.203$ ,  $p = 0.010$ ) even after controlling for profitability. This supports the signaling hypothesis: payout decisions convey incremental information beyond current earnings levels. In a concentrated market structure with income-oriented domestic investors, dividend stability may reinforce credibility and reduce perceived risk.

Collinearity diagnostics confirm model stability ( $VIF < 5$ ; maximum condition index  $\approx 5.2$ ). Residual diagnostics suggest no material autocorrelation (Durbin–Watson  $\approx 1.94$ ). However, given the dispersion between large-cap and small-cap firms, future robustness tests incorporating log transformations and heteroskedasticity-consistent errors are advisable.

Overall, the Moroccan evidence suggests a clear valuation hierarchy: profitability dominates, dividends signal, and revenue supports valuation primarily through its contribution to earnings quality.

#### 4.2. Interpretation of Results in the Moroccan Market Context

While the regression results provide strong statistical evidence regarding the determinants of market capitalization, their economic interpretation must be situated within the structural characteristics of the Casablanca Stock Exchange.

The results indicate that net income is the dominant explanatory variable of market capitalization ( $\beta = 0.60$ ,  $p < 0.001$ ). This finding suggests that profitability constitutes the central valuation anchor in the Moroccan equity market.

This outcome is consistent with the concentrated nature of the Casablanca Stock Exchange, where large-cap firms—particularly in the banking and telecommunications sectors—account for a substantial share of total capitalization. These firms are characterized by relatively stable earnings, recurring business models, and strong regulatory frameworks. As a result, investors appear to prioritize sustainable profitability over other financial indicators.

In a market where information asymmetries may remain significant and analyst coverage is more limited than in developed exchanges, earnings serve as a credible and observable signal of firm quality. The magnitude of the net income coefficient confirms that the Moroccan market primarily rewards firms capable of generating consistent profits. This supports earnings-based valuation theory and aligns with the Modigliani–Miller framework, which identifies profitability and investment policy as fundamental determinants of firm value.

Dividends remain positively and statistically significant even after controlling for profitability ( $\beta = 0.20$ ,  $p = 0.010$ ). This result provides evidence in favor of dividend relevance and signaling theory.

The Moroccan market displays characteristics that enhance the informational role of dividends:

- A relatively high ownership concentration.
- A meaningful presence of domestic dividend-oriented investors.
- A moderate level of alternative income-generating financial instruments.

In such an institutional setting, dividend payments may function as both a financial commitment and a signal of managerial confidence. The fact that dividends retain explanatory power beyond earnings suggests that investors interpret payout decisions as forward-looking signals regarding the sustainability of future cash flows.

This effect may be particularly strong in large-cap firms, especially banks, which maintain stable payout ratios and use dividend continuity as a reputational mechanism. The results therefore support the view that dividend policy contributes incrementally to valuation formation in Morocco, beyond its mechanical relationship with net income.

Revenue is statistically significant ( $\beta = 0.24$ ,  $p = 0.039$ ), yet its standardized effect is substantially smaller than that of net income. This indicates that scale matters, but primarily insofar as it translates into profitability.

In the Moroccan context, certain sectors—such as construction and real estate—may exhibit high revenue levels but volatile margins. The relatively weaker coefficient associated with revenue suggests that the market does not reward business volume alone. Instead, investors appear to discount sales growth that is not accompanied by sustainable earnings generation.

This finding aligns with modern multifactor asset pricing models emphasizing profitability and quality over size. It also reflects the structure of the Casablanca market, where dominant firms combine scale with strong margins, reinforcing the primacy of earnings over pure turnover.

Although the baseline regression does not explicitly model sectoral interactions, the observed hierarchy of coefficients (Net Income > Revenue > Dividends) is consistent with sectoral dynamics in Morocco:

- Banking and telecommunications firms exhibit strong profitability and stable dividends, which likely amplify the dominance of earnings in the regression.
- Industrial and cyclical sectors display greater earnings volatility, which may weaken the standalone impact of revenue.
- Firms with consistent dividend policies may benefit from enhanced valuation stability during uncertain periods.

Thus, the empirical results reflect not only firm-level financial mechanisms but also the structural composition of the Moroccan equity market.

#### 4.3. Robustness Analysis: Interaction Effects Between Profitability, Dividends, and Revenue

To further investigate whether the valuation effects of dividends and revenue depend on profitability levels, an extended regression model including interaction terms was estimated. Specifically, interaction variables between net income and dividends ( $NI \times DIV$ ), and between net income and revenue ( $NI \times REV$ ), were introduced.

$$MCAP_i = \alpha + \beta_1 DIV_i + \beta_2 NI_i + \beta_3 REV_i + \beta_4 SIZE_i + \beta_5 (NI_i \times DIV_i) + \epsilon_i \quad (2)$$

- $NI_i \times DIV_i$  captures whether the dividend effect depends on profitability.

All variables are measured in consolidated MAD terms for fiscal year 2024.

The augmented model slightly improves explanatory power ( $R^2 = 0.842$  versus 0.831 in the baseline model), and the overall F-test remains highly significant ( $p < 0.001$ ), confirming strong joint explanatory capacity.

The results reveal three important insights.

First, net income remains the dominant determinant of market capitalization ( $p < 0.01$ ), confirming that profitability constitutes the primary valuation anchor in the Moroccan stock market.

Second, revenue remains positively associated with market capitalization ( $p < 0.05$ ), although its economic magnitude remains lower than that of profitability. This reinforces the interpretation that scale contributes to valuation primarily through its conversion into earnings rather than as an autonomous driver.

Third, and most importantly, the standalone coefficient of dividends becomes statistically insignificant once interaction terms are introduced, while the interaction term between net income and dividends approaches statistical significance ( $p \approx 0.06$ ). This suggests that the valuation effect of dividends is conditional on profitability. In other words, dividends appear to be valued more strongly when supported by robust earnings performance.

From a Moroccan market perspective, this finding is economically meaningful. In a concentrated market dominated by large banking and telecom institutions, dividend payments may serve as credible signals only when backed by sustainable profitability. Investors seem to differentiate between “quality dividends” (profit-backed distributions) and mechanically high payouts unsupported by strong earnings.

The interaction between profitability and revenue, however, does not display robust statistical significance, suggesting that size effects are not conditional on profitability in a systematic manner. This reinforces the earlier conclusion that scale alone does not drive valuation dynamics in Casablanca.

## 5. Conclusion

This study set out to examine the relative influence of dividends, net income, and revenue on the market capitalization of firms listed on the Casablanca Stock Exchange. By integrating multiple theoretical frameworks within a unified econometric model and contextualizing the analysis within the structural specificities of the Moroccan market, the research aimed to clarify which financial signals dominate firm valuation in an emerging economy.

The empirical findings reveal a clear hierarchy of valuation drivers. Net income emerges as the dominant determinant of market capitalization, confirming Hypothesis H1 and strongly supporting earnings-based valuation theory. Profitability appears to be the primary signal rewarded by the Moroccan market, consistent with the fundamental view that firm value reflects expected future cash flows. This result also aligns with the Modigliani–Miller framework, which emphasizes investment policy and earnings generation as central drivers of firm value.

Dividends are also found to exert a positive and statistically significant effect on market capitalization, supporting Hypothesis H2. More importantly, dividends retain explanatory power even after controlling net income, validating Hypothesis H3. This finding provides empirical support for signaling theory and dividend relevance perspectives in the Moroccan context. In a market characterized by ownership concentration, moderate analyst coverage, and informational frictions, dividend distributions appear to function as credible signals of financial stability and managerial confidence. The results therefore reject the strict dividend irrelevance proposition under real-world market conditions.

Revenue, while statistically significant, exerts a weaker effect relative to profitability and dividends, confirming Hypothesis H4. Firm scale alone does not appear to drive valuation independently; rather, its influence operates primarily through the firm’s ability to convert sales into earnings. This finding is consistent with contemporary multifactor asset pricing models that prioritize profitability and investment quality over pure size effects. In the Moroccan setting, market participants appear to discount raw revenue volume unless accompanied by sustainable profit margins.

Interpreted within the Moroccan institutional framework, these results acquire additional meaning. The concentration of market capitalization among a limited number of large banking and telecommunications firms implies that aggregate valuation dynamics are heavily influenced by companies with stable earnings and established payout policies. For large-cap financial institutions, profitability serves as a structural anchor of valuation, while dividends reinforce investor confidence through predictable cash distributions. In contrast, for industrial and cyclical firms, valuation appears more sensitive to earnings volatility and margin sustainability than to scale alone. This sectoral heterogeneity suggests that the informational role of financial indicators may vary across industries, although profitability remains the dominant common driver.

Despite its contributions, this research is not without limitations. The cross-sectional design focuses on a single recent fiscal year, which limits dynamic inference over time. Additional investigation into sector-specific dynamics and ownership structure interactions would further refine understanding of valuation mechanisms in emerging markets.

Overall, the findings indicate that in the Moroccan stock market, profitability remains the primary engine of market capitalization, dividends serve as an important complementary signal, and revenue supports valuation only when effectively converted into earnings. These results highlight the central role of financial fundamentals in an emerging market setting and provide updated empirical evidence on valuation drivers within the Casablanca Stock Exchange.

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