



Investigating the relationship between cross-sectional free cash flows, dividends and corporate value

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Abstract

Free cash flows are considered as one of the most important and influential factors in increasing or decreasing the dividend among shareholders. The more cross-sectional free cash flows experience a growth rate over the short and long term, the more one can expect a dividend increase between shareholders and an increase in stock returns in the short run. Due to the importance of examining free cash flows, dividends and company value to attract investment in companies, in this study, the relationship between cross-sectional free cash flows, dividends on the value of companies was examined. The results of this study based on the information of 87 manufacturing companies active in Tehran Stock Exchange for a period of 6 years from 1393 to 1398 which was done by SPSS software show that cross-sectional free cash flows have a positive relationship with company value and also dividend effect. It has a positive effect on the value of the company.

Keywords

Cross-sectional free cash flow, dividend, company value.

1. Introduction

Today, the issue of how market participants react to variable cash flows is examined. In addition, it is examined whether the characteristics of the company determine the extent to which market prices and analysts respond to the news. Cash flow responds to information collected in management forecasts.

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Characteristics of the companies surveyed include simultaneous bad news about profits, financial distress, and company growth. If market participants believe that Managers' forecasts are more indicative of their opportunistic behavior than their commitment to disclose relevant information. Management cash flow forecasts may not be considered valid by market participants. It is in this situation that management cash flow forecasting can be regulated by the deceptive behavior of managers provide additional credit for projected profits. In this study, the question is whether management cash flow forecasts affect market participants and how this effect changes cross-sectional.

The role of public financial accounting is to provide useful information to the large mass of external users who make the decision to allocate resources. Improve other markets effectively. Financial reporting objectives are related to fulfilling this role and move to generalize it to business for general and specific purposes (tax returns). Financial statements are the core of financial reporting.

Free cash flows are considered as 529one of the most important and influential factors in increasing or decreasing the dividend among shareholders. The more cross-sectional free cash flows experience an upward growth rate over the short and long term, the more one can expect an increase in dividends between shareholders and in the short term, one can expect an increase in stock returns ([Grinstein & Michaely, 2005](#)). Some investors and shareholders, according to pre-determined criteria, seek to invest in the shares of companies whose dividends are as high as possible. These shareholders usually examine the value of companies based on pre-determined criteria and invest in the shares of the above companies according to the amount of dividends in previous periods ([Kim et al., 2018](#)). A firm can change the degree of accumulations to acquire the ideal degree of a high stock cost or potentially profit. The craving to accomplish a high stock cost and additionally profit to meet the income benchmark initiates corporate supervisors to take part in acquiring the executives, expanding current profit to the detriment of the organizations' financial qualities ([Andreas, 2017](#)). Low-development firms with high free income will choose pay expanding profit the board were contended to cloud the low benefits got from their interests in negative net present value (NPV) projects ([Toumeh et al., 2020](#)).

Cross-sectional free cash flows can reduce or increase a company's accumulated profit ratio at different time intervals. The more the ratio of companies' accumulated profits increases or decreases according to the size of the company, the more the value of companies will be affected and ultimately it will have a significant impact on the productivity and efficiency of companies ([Moser & Puckett, 2009](#)). Some managers believe that the higher the ratio of corporate capital expenditures, the higher the dividend in the end. These executives argue that if corporate capital expenditures increase, corporate production and service lines increase proportionately, and in the end, investor and shareholder satisfaction increases ([Binay, 2001](#)). Net profit growth rate is one of the criteria that can reduce or increase the value of companies and ultimately have a significant impact on corporate profitability. The more positive the net profit growth rate in different periods, the more the future profitability of companies will move in a positive direction ([Grinstein & Michaely, 2005](#)). The outcomes acquired from the measurable examination of exploration theories demonstrated that there is a huge connection between money property and review expenses. Besides, the connection between money property, monetary limitations and review expenses was huge. Furthermore, there was no critical connection between money possessions, speculation openings and review charges ([Mohammadi et al., 2018](#)).

It is discovered that that the positive connection between past returns and current profit changes fortifies when returns pass on data that are more private ([De Cesari & Huang-Meier. 2015](#)). The discoveries demonstrated that there is esteem pertinence for profits, recommend that financial specialists perceive the flagging reason and observe that profits declarations are valuable in foreseeing ideal and ominous future income in the short run (the very year and resulting year). Additionally, it was demonstrated that directors might utilize profits to flag income possibilities fully expecting expected future market benefits ([Al-Shattarat et al., 2018](#)).

The impact of income on French SMEs' speed of change (SOA) to their capital construction targets was inspected ([Dufour et al., 2018](#)). Managers' policies in relation to free cash flows are such that in the end, the growth rate of the profitability ratio is positive. The more positive the sales growth rate according to the predetermined patterns, the more the firms' cash assets will increase and in the short run the value of the firms will be affected ([Whitworth & Rao. 2010](#)). The ratio of cash assets can be significantly affected by the ratio of companies' financial advantage and ultimately increase or decrease cross-sectional free cash flows. As the proportion of companies' financial advantage increases, stock price fluctuations will move in the same direction, eventually reducing the companies' dividends ([Kim et al., 2018](#)). The policies of some companies are such that the amount of dividends is as high as possible. The higher the dividend between shareholders, the greater the satisfaction of investors and shareholders in investing in the shares of these companies and will create a growth rate of profitability in the end ([Becker. et al., 2013](#)). Cross-sectional free cash flows can influence stock price fluctuations based on sales growth rate patterns and ultimately increase companies' credit ratings according to predetermined patterns. The higher the credit rating of companies due to fluctuations in capital expenditures, the more positive it will be in the end over long periods of free and cash flow. Some growth patterns show that the more positive stock price fluctuations move, the more positive the net profit growth rate becomes, and in the long run, by increasing the accumulated profit ratio, productivity can increase. Moreover, expected corporate performance ([Becker. et al., 2011](#)).

The value of companies can be influenced by various other patterns such as; Standardized cash flows and fluctuations in the stock market value of companies are also included. The more the stock market value of companies according to the patterns of dividends and the ratio of accumulated profits in order to increase productivity and efficiency, the more the amount of cash assets of companies in the end increases and with increasing cash assets, we can expect increased profitability. He also owned companies ([Grinstein & Michaely. 2005](#)). Credit rating can increase the financial constraints of companies. The higher the credit rating of companies, the higher the financial constraints and ultimately the financial advantage ratio of companies. With increasing financial constraints, dividends can be expected to decrease among shareholders, and in the end, reduced dividends will reduce the productivity and efficiency of companies ([Fama & French. 2002](#)). Open-market programs animate payout by giving individual additions to educated insiders that are related with the company's repurchase exchange. However, they likewise maintain a strategic distance from the underinvestment issue by leaving insiders the alternative to drop the payout. Since their execution is discretionary, notwithstanding, open-market programs just halfway forestall the misuse of free money. The model gives testable forecasts that are for the most part reliable with the exact proof ([Oded. 2020](#)).

Research and development spending can increase patterns of corporate growth and productivity. The higher the ratio of capital expenditures to R&D expenditures in the end, the more cash assets will

grow, and as cash assets increase, the efficiency and productivity of companies will increase in the end ([Lee & Suh, 2011](#)). Some managers believe that no matter how much the patterns of increasing capital expenditures are in line with the increase in the proportion of financial advantage; the rate of profitability in the long run decreases and ultimately leads to a financial crisis in evil.

Dividends are considered as one of the most important and influential models on the value of companies. As the amount of dividends distributed among shareholders increases, so too in the end, the value of companies will experience positive fluctuations ([Lee & Suh, 2011](#)). In general, some managers believe that the more cross-sectional free cash flows increase, given the importance of corporate value, one can expect to increase corporate productivity and efficiency ([Grinstein & Michaely, 2005](#)). The value of companies can be affected by patterns of capital expenditure ratios and, in the long run, increase the growth rate of companies' net profit. The higher the growth rate of companies' net profit due to its importance, the more the financial advantage will move to the negative and eventually the amount of cash assets of companies will experience a growth rate ([Kim et al., 2018](#)). The value of companies can also be affected by fluctuations in sales growth rates. As much as the sales growth rate of companies has increased significantly according to the patterns related to productivity and efficiency, in the same proportion, the fluctuations of financial advantage are in a positive direction and finally with increasing dividends, one can expect an increase in companies' value ([Whitworth & Rao, 2010](#)). The importance of credit rating and its impact on the value of companies can be expressed because no matter how much the credit rating of companies' increases according to the patterns of dividends, in line with this increase can be expected to increase cross-sectional and standardized free cash flows of companies. ([Binay, 2001](#)). Considering the patterns of cross-sectional free cash flows and the impact and importance of this variable on the value of companies, it can be expected that by increasing the ratio of capital expenditures, companies' accumulated profits also experience a growth rate. Predetermined to strongly affect the value of companies ([Moser & Puckett, 2009](#)). Some managers seek to increase the economic volatility of companies according to pre-determined criteria and according to the long-term policies of companies. The higher the economic growth rate of companies according to pre-determined criteria, in order to increase the value of companies, the more it will affect the productivity and efficiency of companies and ultimately increase the profitability of companies ([Becker et al., 2011](#)). The importance of free cash flows and its effect on credit rating and the increase in standardized cash flows can be expressed because no matter how much the cross-sectional free cash flows of companies increase, eventually the average free cash flows experience a growth rate and increase in size. Companies will be ([Fama & French, 2002](#)). The importance of dividends and its effect on net profit growth rate and sales growth rate can be expressed in that the higher the sales growth rate of companies, the more productivity and growth patterns are in line with positive fluctuations and ultimately increase the size. Companies will be ([Kim et al., 2018](#)). According to the above, the main purpose of this study is to investigate the relationship between cross-sectional free cash flows, dividends and corporate value.

The present study examines the relationship between cross-sectional free cash flows, dividends and corporate value. The results of this study can be used by investors, managers and other users within the organization and outside the organization. It can be a good platform for future research

The first hypothesis:

Cross-sectional free cash flows affect the value of companies.

Hypothesis 2:

Dividends affect the value of companies

2. Methodology

In our model, we assumed two different groups: a group of low level persons L who are assumed to be very risk averse with low probability of death, and a group of high level persons H who are assumed to be less risk averse with high probability of death. $tp_x^i, i \in \{L, H\}$, was defined probability of surviving of a person who has x years old and survives at least t years. $tq_x^i, i \in \{L, H\}$, was defined probability of death of a person who has x years old and less than t years survival. We will denote $e_i, i \in \{L, H\}$, for the effort made by each group. This effort which was related to improving his or her health, for example, exercise, test, healthy food and so on. $U_i, i \in \{L, H\}$, represents utility function and we devoted a expersion with parameter $a_i \in [0, 1]$ for this utility function as following:

Model related to research hypotheses

$$Q_{i,t} = \alpha_0 + \beta_1 FCF + \beta_2 dDIV_{i,t} + \beta_3 DE_{i,t} + \beta_4 DTA_{i,t} + \beta_5 dl_{i,t} + \beta_6 ROAVOI_{i,t} + \beta_7 SGRS_{i,t} + \beta_8 CASH_{i,t} + \beta_9 LEVER_{i,t} + \varepsilon_{i,t} \quad (1)$$

Operational definitions of variables:

Operational definition of dependent variable:

Value of the company:()

Is equal to the logarithm of the market value of the total stock of the company ([Becker. et al., 2013](#)).

Operational definitions of independent variables:

Cross-sectional Free Cash Flow (FCF).

Is equal to the product of the net distribution of cash flows from operating activities of the period over total sales in the current year ([Lee & Suh. 2011](#)).

(Operating activities from net cash flow) / (current year in total sales)

Operational Definition of Dividends: How to measure dividends in this study is that the dividends per share of the company are divided by the amount of dividends per share of the company divided by the total assets at the beginning of the period per share. ([Kim et al., 2018](#))

The following formula is used:

Its parameters are as follows:

*DIV = The amount of dividend per share of the company divided by the total assets at the beginning of the period per share

IV = the amount of dividend per share of the company in the desired period

TA_i, = t Total assets at the beginning of the period per share

Operational definitions of control variables:

Accumulated profit ratio:()

The accumulated profit ratio is obtained by dividing the accumulated profit by the company's capital ([Kim et al., 2018](#)).

(Accumulated profit) / Capital

Size of the company:()

According to ([Whitworth & Rao. 2010](#)), it is equal to the logarithm of the book value of all assets.

Net profit growth rate:()

The net profit growth rate is equal to ([Fama & French. 2002](#)):

(Net profit at the end of this year minus net profit at the end of the previous year) Divided by net profit at the end of the previous year.

Profitability ratio growth rate:()

According to a 2009 study by [Moser and Puckett](#), the growth rate of the profitability ratio is equal to:

(Current year-end in profitability ratio minus current year-end year-end in profitability ratio) / (current year end year end in profitability ratio)

Sales growth rate:()

Sales growth rate is equal to ([Grinstein & Michaely. 2005](#)):

Sales at the end of this year minus sales at the end of the previous year) Divided by sales at the end of the previous year ([Kim et al., 2018](#)).

Cash Asset Ratio:()

To calculate the ratio of cash assets, cash assets are first calculated using the following formula ([Becker. et al., 2013](#)):

Cash Equivalents + Cash Funds and Bank Accounts = Cash Assets

Short-term securities = cash equations

Then the ratio of cash assets is obtained through the following relation = Cash assets

The book value of all assets

Financial advantage ratio:()

Is equal to the product of dividing the book value of total liabilities by the book value of total assets ([Whitworth & Rao. 2010](#)).

Dividends paid to each ordinary shareholder for each of his shares over a specified period are called dividends per share. Dividend per share is obtained from the distribution of the dividend approved by the general meeting for payment between the shareholders on the number of ordinary shares of the company.

In this method, systematic elimination method is used for sampling. For this purpose, all member companies of the statistical community that have the following characteristics are selected as a sample:

- To be present in the stock exchange from 1393 to 1398.
- Their financial year should end at the end of March.
- The company has not changed its financial year between 2014 and 2017.
- The required information of the company is available.

Investment companies were not selected. Because investment companies are made up of, other companies and they have also influenced the choice of sample. This prevented the double effect of some companies.

-Banks are excluded from the selection.

-Companies that have been removed from the Tehran Stock Exchange were not included in the sample; Even if these companies have submitted their financial statements to the stock exchange for a period of three years or more to select a sample. In this way, only companies that are currently active in the stock market will be included in the sample.

Research results Descriptive research statistics

Therefore, before testing the research hypotheses, the research variables are briefly examined in Table (1). This graph contains indicators to describe the research variables. These indices include central indices, dispersion indices and distribution shape indices.

Table (1). Indicators describing research variables, central indices, dispersion indices and distribution shape indices

| | N | AD | AZ | WE | SA |
|------|-----|----------|-------|--------|------|
| CASH | | 0.0024 | 345.6 | 288.2 | 2839 |
| D | 529 | -23.47 | 74.9 | -34.09 | 1008 |
| S | 529 | | | | |
| N | 529 | | | | |
| F | 529 | | | | |
| AZ | 529 | | | | |
| AD | 529 | | | | |
| SD | 529 | | | | |
| DA | 529 | | | | |
| AS | 529 | 37.132 | | | |
| AZ | 529 | 3.581106 | | | |
| ZXC | 529 | -31479.4 | | | |
| AS | 529 | -90.49 | | | |
| AF | 529 | -1 | | | |
| SA | 529 | 0 | | | |
| N | 529 | 1 | | | |
| SD | 529 | 2.65 | | | |
| A | 529 | | | | |

Table (1) shows the characteristics of the research variables. The first column of this figure states that the number of all data for all the studied variables is 522-year and the second column the minimum of the collection variables. Shows separately, for example, the minimum value of the company is 2.6. The fourth column shows the maximum variable of cross-sectional free cash flows, 34,506, and the fifth column shows the average firm size of 5.1. Finally, the sixth column shows the growth rate of variance of the profitability ratio of 6.63.

3. Results

According to the documents and literature mentioned in the second chapter and the summary of the theoretical framework of the research in the first chapter, it shows that in most researches, the studied variables have been calculated annually and used in analysis and general interpretation. . At this stage, the researcher, after determining and calculating the independent and dependent variables, tests the research hypotheses and analyzes them. First, the correlation between dependent variable and independent variables was tested and then regression method was used to determine the mathematical relationship between independent and dependent variables. In fact, regression analysis helps to find a linear relationship between variables in the presence of such a relationship. In the final step, the correlation criterion was used to determine the relationship between the dependent variable and independent variables in the research. Fortunately. To avoid calculating the corresponding statistics in Table t, SPSS software calculates and presents a probability value that can be used to reject or confirm the null hypothesis. The findings of each hypothesis are summarized as follows:

Checking the assumption that the variables are normal:

Since the normality of the variable depends on the normality of the remainder of the model,

It is necessary to check the normality of the model before fitting it.

The null hypothesis and the hypothesis opposite to the normality test are as follows:

Data distribution is not normal

Data distribution is normal

Kolmogorov-Smirnov test was used to test the above hypothesis. In this test, if the significance level is less than 5%, the null hypothesis is rejected at the 95% confidence level

Table (2). Kolmogorov-Smirnov test K-S) Source: Researcher findings

| A | B | D | E | | | D | | G |
|-------|--------|--------|-------|--------|--------|--------|--------|--------|
| 529 | 529 | 529 | 529 | 529 | 529 | 529 | 529 | 529 |
| 288.2 | -34.09 | 1.76 | 5.17 | 64.36 | -0.174 | 7.8375 | 0.0205 | 4.9321 |
| 2838 | 1008 | 14.48 | 0.762 | 28151 | 6.6 | 87.764 | 0.0358 | 0.687 |
| 0.465 | 0.458 | 0.427 | 0.052 | 0.434 | 0.357 | 05.05 | 0.284 | 6.032 |
| 0.465 | 0.458 | 0.427 | 0.052 | 0.434 | 0.348 | 05.05 | 0.249 | 0.369 |
| -0.46 | -0.451 | -0.402 | -0.03 | -0.428 | -0.357 | -0.46 | -0.248 | 0.327 |
| 0.465 | 0.458 | 0.427 | 0.052 | 0.434 | 0.357 | 05.05 | 0.248 | -0.369 |
| 0 | 0 | 0 | 0.002 | 0 | 0 | 0 | 0 | 0.369 |
| | | | | | | | | 0 |

Judgment method: According to Table (2), because the significance level of the dependent variable of cross-sectional free cash flows is less than 0.05, hypothesis H1 is rejected and hypothesis H0 is accepted, i.e. the variable of cross-sectional free cash flows does not follow the normal distribution. . To normalize this variable, mathematical conversion (power two logarithm) is used. The following test examines the assumption that the converted cross-sectional free cash flow variable is normal.

Table (3). Kolmogorov-Smirnov test (converted values)

| A | B | D | E | | | D | | G |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 529 | 529 | 529 | 529 | 529 | 529 | 529 | 529 | 529 |
| 0.377 | 1.1033 | 0.044 | 0.709 | 1.692 | -0.007 | -0.081 | -1.564 | 0.297 |
| 0.928 | 0.45 | 0.305 | 0.063 | 2.17 | 0.2102 | 0.4861 | 1.01 | 0.3041 |
| 0.306 | 0.466 | 0.313 | 0.034 | 0.381 | 0.478 | 0.387 | 0.177 | 0.164 |
| 0.306 | 0.301 | 0.268 | 0.034 | 0.381 | 0.449 | 0.38 | 0.127 | 0.164 |
| -0.249 | -0.466 | -0.313 | -0.033 | -0.218 | -0.478 | -0.387 | -0.177 | -0.164 |
| 0.249 | 0.466 | 0.313 | 0.033 | 0.218 | 0.478 | 0.387 | 0.177 | 0.164 |
| 0.25 | 0.4 | 0.156 | 0.194 | 0.22 | 0.32 | 0.4 | 0.26 | 0.24 |
| | | | | | | | | 0.13 |

Source: Researcher findings

Ow to judge: According to Table (3), because the significance level (Sig) in the variables is greater than 0.05, hypothesis H1 is accepted and hypothesis H0 is rejected. In other words, the data has a normal distribution. Therefore, the assumption that the variables of this hypothesis are normal is accepted.

Hypothesis 1: Cross-sectional free cash flows affect the value of firms.

Test of research hypothesis

The null hypothesis and the opposite hypothesis are defined as follows:

H0: Cross-sectional free cash flows do not affect the value of companies

H1: Cross-sectional free cash flows affect the value of companies.

Table (4). Correlation coefficient, determination coefficient, adjusted determination coefficient and camera-Watson test between cross-sectional free cash flow variables and corporate value

| M | SD | FG | SF | AS | D-W |
|---|-------|-------|-------|--------|------|
| | | | GH | | |
| | | | S | | |
| 1 | 0.259 | 0.067 | 0.053 | 3.8656 | 1.91 |

Table (4), estimates the correlation coefficient, the coefficient of determination of the modified coefficient of determination and the standard error, respectively. According to the coefficient of determination obtained from the test output 067. Percentage of changes of the dependent variable by independent variables in the model.

Table (5). Regression analysis of variance (ANOVA)

| GFR | GF | PO | FD | SRF | DOG |
|-----|--------|-----|-------|-------|-----|
| DE | 16.245 | 8 | 2.031 | 4.612 | 0 |
| SE | 225.45 | 512 | 0.44 | | |
| WE | 241.69 | 520 | | | |

Table (5), shows the analysis of regression variance to check the certainty of the existence of a linear relationship between the two variables. The statistical hypotheses of the significance test of the whole regression model are as:

Table (6). The results of statistical analysis for the coefficients of independent variables and test control of the first main hypothesis

| JHG | FR | BF | Beta | t | WE |
|-----|--------|-------|--------|--------|-------|
| | 4.472 | 0.225 | | 19.875 | 0 |
| | 2.25 | 0.52 | 0.133 | 43.269 | 0.002 |
| | 0.003 | 0.002 | 0.059 | 1.5 | 0.003 |
| | 0.073 | 0.041 | 0.082 | 1.78 | 0.007 |
| | -1.3 | 0.02 | -0.005 | -65 | 0 |
| | -0.008 | 0.004 | -0.074 | -2 | 0.003 |
| | 1.04 | 0.25 | 0.027 | 4.16 | 0.001 |
| | 3.64 | 0.82 | 0.192 | 4.439 | 0 |

0.102 0.005 0.019 20.4 0

Table (6) shows the results of statistical analysis for the coefficients of independent variables and test control of the first main hypothesis. The results show that the positive coefficient of variable cross-sectional free cash flows with a significance level of less than 0.05 indicates an inverse (positive) and significant relationship between cross-sectional free cash flows and company value. Considering the significance of cross-sectional free cash flows variable, the first hypothesis of the research that expresses cross-sectional free cash flows on the value of companies should be confirmed.

Due to the significance of the control variables, which is less than 0.05, it means that it affects the value of the company. A positive sign means that there is a positive relationship, and a negative sign means that it is an inverse relationship.

As a result, the relevant multivariate model after placement of regression beta coefficients is as follows:

$$Q_{it} = 4.472 + 2.25 FCF + .003 [DE]_{it} + .073 [DTA]_{it} - 1.30 [dI]_{it} - .008 [ROAVOI]_{it} + 1.040 [SGRS]_{it} + 3.640 [CASH]_{it} + 0.102 [LEVER]_{it} + \epsilon_{it} \quad (2)$$

Hypothesis 2: Dividends affect the value of companies.

Test of research hypothesis

The null hypothesis and the opposite hypothesis are defined as follows:

H0: Dividends do not affect the value of companies.

H1: Dividends affect the value of companies.

Table (7). Correlation coefficient, determination coefficient, adjusted determination coefficient and camera-Watson test between the dividend variable and the value of companies

| M | R | S | R-T | | D-W |
|---|-------|------|-------|------|-------|
| 2 | 0.223 | 0.05 | 0.035 | 4.46 | 1.992 |

Table (7), estimates the correlation coefficient, the coefficient of determination of the modified coefficient of determination and the standard error, respectively. According to the coefficient of determination obtained from the test output 050. Percentage of changes of the dependent variable by the independent variables in the model Becomes.

One of the assumptions considered in the regression is the independence of the errors (the difference between the actual values and the values predicted by the regression equation) from each other. Regression cannot be used if the error hypothesis is rejected and the errors are correlated with each other. The Watson camera test is used to check the independence of errors from each other. If this statistic is in the range of 1.5 to 2.5, the error correlation test is accepted. Otherwise, there is a correlation between the errors. Since the value of this statistic in this study is 1.992, the hypothesis of correlation of errors is rejected and regression can be used.

Table 8. ANOVA

| S.Q | F | M | S F | FD |
|--------|-----|-------|------|-------|
| 12.192 | 8 | 1.524 | 3.35 | 0.001 |
| 233.83 | 514 | 0.455 | | |
| 246.03 | 522 | | | |

Table (8), shows the analysis of regression variance to check the certainty of the existence of a linear relationship between the two variables. The statistical hypotheses of the significance test of the whole regression model are as follows:

Table 9: Coefficients

| DER | B | Std.Error | Beta | t | GR |
|-----|--------|-----------|--------|--------|-------|
| | 4.404 | 0.227 | | 19.4 | 0 |
| | 2.629 | 0.02 | 0.039 | 131.45 | 0 |
| | 0.003 | 0.002 | 0.061 | 1.5 | 0.004 |
| | 0.084 | 0.042 | 0.094 | 2.01 | 0.001 |
| | -1.373 | 0.032 | -0.006 | -42.9 | 0 |
| | -0.007 | 0.004 | -0.068 | -1.75 | 0.002 |
| | 0.045 | 0.022 | 0.028 | 2.045 | 0.009 |

| | | | | |
|-------|-------|-------|-------|---|
| 3.74 | 0.832 | 0.195 | 4.495 | 0 |
| 0.023 | 0.005 | 0.023 | 0.92 | 0 |

Table (9) shows the results of statistical analysis for the coefficients of independent variables and test control of the second main hypothesis. The results show that the positive coefficient of the dividend variable with a significance level of less than 0.05 indicates an inverse relationship (positive). Moreover, the significance between the dividend with the value of the company. This means that it affects the value of the company; a positive sign means that there is a positive relationship, and a negative sign means that the relationship is inverse.

As a result, the relevant multivariate model after placement of regression beta coefficients is as follows:

4. Conclusion

Considering the result of the hypothesis that "cross-sectional free cash flows affect the value of companies", which was approved, it is recommended that shareholders and investors be aware of this issue because free cash flow can. To enable the company to invest in new investment projects and create value for its shareholders, as well as be able to repay their loans. In addition, information about free cash flows should be disclosed in the annual financial statements of companies listed on the stock exchange, and users of financial statements are advised to analyze the variable of free cash flows in order to make a correct judgment about the company's performance. 2. Based on the result of the hypothesis that "dividends affect the value of companies", which was approved, it is suggested that managers in countries where investment support is weak to pay dividends. Take action because it has a positive impact on the value of the company and will be a factor in encouraging new investors.

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