

THE RELATIONSHIP BETWEEN CASH DIVIDEND AND EARNINGS GROWTH OF LISTED COMPANIES IN TEHRAN STOCK EXCHANGE

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Abstract

Dividend policy is one of the most important financial decisions managers encounter. This study contributes to empirical studies examining the relationship between cash dividends and earnings growth of companies listed on the Tehran Stock Exchange during the period 2007-2020. As a result, 131 companies have been examined with the multiple regression estimation model. The findings show a significant relationship between cash dividends per share and future earnings growth. Furthermore, there is a significant relationship interaction term between the dividend payout ratio and the investment growth assumption. This relationship is also observed for return on equity and dividend payout ratio.

Keywords

Efficiency; future earnings growth; dividend policy

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1. Introduction

Forecasting is a key factor in making economic decisions. The economic decisions of investors, creditors, managers, and other parties depend on expectations and forecasts. Since investors and financial analysts use profit as one of the main criteria for evaluating a company, and they tend to evaluate future profitability to make decisions to maintain or sell shares, they judge a company's performance based on profit because the resources allocation to business units and divisions is made through profitability forecasts (Shafai et al., 2019). It is also important to potential investors. They forecast future earnings and cash flows based on the investment and allocation of capital resources (Asadi and Oladi, 2015). Dividend policy is one of the most important issues in financial management, because cash dividends represent the main cash payment of an enterprise and are one of the most important choices and decisions faced by managers. The manager should decide the amount that is considered to be distributed profit and the amount that will be reinvested in the company in the form of retained earnings. Dividends are paid directly to shareholders, and they affect a company's ability to accumulate profits to take advantage of growth opportunities. According to his own belief, every investor buys shares of companies with desirable dividend policies. Dividends proposed by the board of directors often contain important information about managers' expectations about the company's future profitability (Mehrani et al., 2010). In this regard, this paper investigates the impact of changes in dividend payments on revenue-growing companies listed on the Tehran Stock Exchange. When a company has reasonable investments to be developed in the following few years or when a company forecasts its financial needs for the following year, it provides distributions or dividends to a general meeting of shareholders. If the general assembly agrees with the board, the benefits are distributed among the shareholders, transferred to retained earnings or savings accounts, and given to shareholders in the form of bonus shares after the project has been run. Otherwise, profits are distributed among shareholders and then capital is increased after the procedure if the management determines that the company needs



cash financing (Jahankhani & Ghorbani, 2005). Several factors may affect a company's profit distribution policy and may limit dividends. These factors are determined for the company within the mandatory framework of laws and regulations, or the company undertakes to provide the performance of these factors. Generally, these factors can be divided into three categories: legal, contractual, and internal. The tax laws of some countries also prohibit excessive non-profit dividends. While the definition of uncontrolled dividends is somewhat ambiguous, it is generally defined as the maintenance of residual income for current and future investment needs. The tax code is designed to prohibit tax evasion by companies without dividends. Penalties will be imposed on companies if the tax authorities detect a significant amount of relevant non-dividend tax. Therefore, when a company reaches a large cash position, it must provide the tax authorities with a good reason for maintaining these funds; otherwise, it should distribute additional funds to shareholders in the form of dividends. The law may also impose additional restrictions on the payment of dividends. These limits may be reflected in minimum dividends, or they may be proposed as limits on loans received, which are determined based on dividends. Additional legal restrictions are imposed on preferred shares; preferred shareholders receive profits first, and the company may not distribute profits until the deferred earnings of preferred shareholders have not been paid. With these clues, the main question of this study is the relationship between cash dividends and earnings growth of companies listed on the Tehran Stock Exchange. The question is whether the change in benefits will affect the company's revenue.

2. Theoretical Foundations

2.1. The Concept of Dividend

The concept of profit has come under criticism in the development and management of institutions in recent years, and economic theorists have replaced it with other concepts such as utility. For this reason, profit is often rejected in criticism and claims that profit is not the only reason for a company to be formed, but rather to introduce other welfare, social, political, and economic reasons as the main goal of company formation (Flint et al., 2010). Economists also know that capital formation is effective for growth and economic development. Capital formation comes either from the government or from the private sector. Governments consider factors in their investments such as infrastructure projects, economic guidance policies, provision of facilities to participate in regulating the supply and demand of goods and services... and profit in support of political and military objectives.

The relationship between dividends and returns: As profits are distributed, companies must pay higher fees for issuing stock to fund new investments. Dividend return theory explains this aspect of dividend policy ambiguity. Since managers know more about a company's future profitability than outside investors, they can have better business prospects for dividend returns as dividends increase, and they can often experience higher share prices in the market. Additionally, financial managers may use dividend policies to determine the quality of earnings due to their informational content. In this regard, since outside investors have less information about a company's future



profitability, dividend performance is seen as information derived from expected future cash flows, as stock prices in the market respond quickly to dividend decisions. Ross (1987) studied the characteristics of dividend payments in signal models. In signaling theory, cash dividends provide the prospect of a company's future profits. The company is receiving cash dividends by paying to provide more information about the company's future market profitability. Higher profits allow the company to leave more cash behind through dividends; therefore, dividends reflect the company's steady state profitability.

2.2. Income growth

Income growth is the change in income over a specific period. Information asymmetry related to growth opportunities is higher than that related to assets (Penrose and Penrose, 2009). Thus, when all retained earnings have been made, hierarchy theory (Fama & French, 2001, Myers & Majluf, 1982) predicts the debt priority of firms with high growth opportunities. According to Roth (1977), creditors are aware of high growth opportunities for companies, and they offer them ideal credit terms. Therefore, according to signaling theory, the expected relationship between a firm's growth opportunities and liabilities is positive. According to agency theory, the relationship between growth opportunities and liabilities can be positive or negative.

2.3. Review of Literature

Parker (2005) showed that at the level of market indices in the United States, Canada, and Australia, dividend payout ratios are negatively correlated with future earnings growth, as stock profits and dividends are characteristic of large companies. Higher dividend payout ratios lead to higher future profit growth, which was the weakest relationship in Australia during the 1956-2005 period.

Sava (2006) studied dividend signaling theory on the Deutsche Börse, and he found some evidence on the relationship between a reduction in cash dividends and a company's future performance, but his findings did not verify that an increase in cash dividends has an impact on future companies' performance. Both studies (Mayers, 1984; Gul, 1999; Gordon, 1962) confirm that high dividend payout ratios can be detrimental to future income growth.

ap Gwilym et al., (2006) studied the relationship between future earnings growth and dividend payout ratios and concluded that the dividend payout ratio is a broad topic for researchers in theoretical modeling. Although the researchers ignored dividend payout ratios, there was a positive correlation between dividend payout ratios and future dividend growth. A delayed negative relationship or negative coefficient was found in variable profit growth. According to free cash flow theory, dividend payments are inversely related to the level of investment GDP and GDP.

Izadinia (2009) studied 11 factors to evaluate dividend policy. These variables are company leverage, company size, last year's dividends, investment opportunities, cash earned by the company's operating activities, expected profits for the following year,



average interest paid by competing companies, inflation rate, percentage of free float, and average profit growth over the previous five years rate and company earnings per share. Significant relationships were identified for factors such as firm size, last year's dividends, investment opportunities, following year's expected profits, and inflation, but not for other variables.

Freshteh Eftekhari Nejad (2009) studied the effect of retained and distributed earnings on future profitability and return on equity. This paper divides profits into two parts: retained earnings and distributed dividends; then, it analyzes the effects of retained earnings and distributed earnings on the future profitability and return on equity of companies listed on the Tehran Stock Exchange. Retained earnings include current operating accruals, non-current operating accruals, accumulated cash flow and distribution income, including cash flow to shareholders and cash flow from debt. 50 companies listed on the Tehran Stock Exchange, companies in the period 2007-2012 were analyzed by multiple regression analysis and panel analysis (Eftekhari Nejad, 2009).

Dewasiri et al. (2019) identified the determinants of dividend policy in emerging and developing markets. Their results showed that past dividend decisions, earnings, investment opportunities, profitability, free cash flow (FCF), corporate governance, country ownership, company size, and industry influence as key determinants of the propensity to pay dividends. Additionally, past dividends, investment opportunities, profitability and dividend premiums are identified as determinants of dividend payments.

Fakhari and Yousef Ali Tabar (2010) conducted a study titled "The relationship between dividend policy and corporate governance of companies listed on the Tehran Stock Exchange"; they studied the relationship between dividends and corporate governance as a proxy for resolution problem tool. According to a checklist, they divided corporate governance into eight categories: disclosure, business ethics, training, compliance with legal requirements, auditors, ownership, board structure, management, asset and liquidity ratios, calculations and divisions. The results show that stock companies use dividends for reputation and prestige. Regarding the important relationship between corporate governance and dividends, corporate governance has a lower impact on dividends (Fakhari & Yousef Ali Tabar, 2010).

In their study Jahankhani and Ghorbani (2005) researched the determinants of DP in companies listed on the Tehran Stock Exchange. They concluded that there was no significant association between firm growth and development, ownership concentration, and the amount of cash and dividend decisions, whereas increased risk, investment opportunities, firm size, and increased debt in the capital structure were all significantly lower the company's dividend payments.

Etemadi and Chalaki (2005) researched the relationship between the Tehran Stock Exchange's performance indicators (operating cash flow, operating income, and earnings per share) and cash dividends. The results show a significant relationship between a company's current performance and its cash dividend payments. Based on the results, the most important determinants of dividends appear to be EPS, operating income, and operating cash flow, respectively.



Mashayekh and Abdollahi (2011) examine the relationship between ownership concentration, performance indicators, and corporate dividend payments. The results show that ownership concentration can improve corporate performance, and the higher the ownership concentration, the better performance indicators such as ROA and Tobin's Q. Based on the second hypothesis, there is a positive relationship between firm performance and payment policy. However, the results of the third hypothesis assert that no significant relationship is observed between ownership concentration and dividend decisions. This means that in Iran, most of shareholders cannot significantly influence dividend payment decisions.

Abbaszadeh, Vadeei, and Pakdel (2012) examine the association of institutional ownership, cash flow, and dividend policy. The results show a significant positive relationship between levels of institutional ownership, active institutional ownership, and dividend policy. However, the relationship between inactive institutional ownership and payment policy is negative. Furthermore, the findings show a positive and significant association between operating cash flow and corporate dividend decisions.

Asadi and Oladi (2015) studied 133 public companies from the 10-year period from 2001 to 2010 and showed that the most important dividend determinant is market risk, which is negatively related, followed by market and book value, and firm size, which is positively related.

Kheirkhah et al. (2019) studied the relationship between the market concentration and power of the Tehran Stock Exchange and the company's dividend policy between 2010 and 2015. Their results showed that there is a significant positive correlation between market concentration and the power of payment decisions. On the other hand, the relationship between market power and concentration and the dividend payout ratio is also statistically significant.

2. Research Methodology and Data

In terms of relevance and research methodology, this is post hoc quasi-experimental research in the field of empirical accounting; it is a form of applied research because it is conducted with real data and can be used to manipulate data. By its nature and purpose, this study is practical. The research is based on real-world data from the stock market, financial statements, notes to financial statements, and company meeting reports. The necessary data to test hypotheses was gathered by pulling the required data directly from financial statements, Tadbir Pardaz databases and stock exchange websites. After screening and classification of industry sample companies, some calculations were performed using Excel software. The classification of stocks is considered when grouping companies in different industries. Multiple linear regression models were used for statistical analysis; EViews and Stata software were used for data analysis.



2.1. Data

The sample for this study is 131 companies from various industries active on the Tehran Stock Exchange from 2007 to 2020, with the following characteristics:

- 1) Fiscal year ends on 30 December.
- 2) The company should not change its financial year;
- 3) The company should not be an industry company due to the nature of the industry being different from other member companies;
- 4) Due to the need to roll back to 12 months, the securities (common shares) are traded at intervals of 4 months from the beginning of the period.
- 5) Information should be available.

2.2. Developing Theoretical Hypothesis

This study uses the method reported by Zhou and Ruland (2006) to investigate the relationship between dividend payout ratio and future income growth. Under a balanced dividend policy, there is a significant positive relationship between dividend payments and future income growth. Therefore, we introduce the Model (1) as follow:

$$EPSGR_{t+1} = \beta_0 + \beta_1 Payout_t + \beta_2 Size_t + \beta_3 ROA_{t+1} + \beta_4 Beta_{it} + \beta_5 AG_{t+1} + \beta_6 DivYield_t + \beta_7 EPSGR_t + e_t;$$

Where:

EPSGR_{t+1} is future earnings growth. It is the annual financial measure of common stock from year t to year t+1 as the next revenue growth.

Payout_t is Dividend payout ratio. It is measured by dividing the ratio of the profits in foreign exchange earnings from year t to year t+1.

Size_t is measured using the natural logarithm of total assets at end of year t;

ROA_t is the forecasted return in year t+1; it is a proxy as an indicator when the first quarter return in year t+1 is divided by the next quarter's total assets.

Beta_t is the market risk factor (e.g., the beta of an individual firm) for year t;

AG_{t+1} is future asset growth; it measures the annual growth rate of total assets in t+1;

DivYield_t is the dividend yield (dividend at the end of year t divided by the current stock price). It is current income growth, measured as the annual increase in after-tax income from common stock from year t-1 to year t.

Earnings per share (EPS), return on assets (ROA), and return on equity (ROE) are often used to measure future income. Since EPS is familiar to most investors, this study takes EPS as the priority, and selects ROA and ROE for strong testing (ap Gwilym et al., 2006). In fact, researchers succeed when there is a positive correlation between dividend payout ratios and future earnings growth. Therefore, the following model (2) is used to measure



the interaction between dividend payout and dividend ratio. Earnings per share (EPS), return on assets (ROA) and return on equity (ROE) are often used to measure future income. Since EPS is familiar to most investors, this research gives priority to EPS and selects ROA and ROE for robustness check. In fact, the researcher shown that there is a positive correlation between dividend payout ratio and future earnings growth. Therefore, the following Model (2) is used to measure the interactions between dividend payments and the ratio of dividends:

$$EPSGR_{t+1} = \beta_0 + \beta_1 Payout_t + \beta_2 Size_t + \beta_3 ROA_t + \beta_4 Beta_t + \beta_5 AG_{t+1} + \beta_6 DivYield_t + \beta_7 DivYield_t * Payout_t + \beta_8 Epsgr_t + e_t;$$

where; $DivYield_t * Payout_t$ is the interaction term between dividend yield and dividend payout ratio. Combining the results of model (2), in this paper, we look for dividend reasons for future earnings growth in model (3) a follow

$$EPSGR_{t+1} = \beta_0 + \beta_1 Payout_t + \beta_2 Size_t + \beta_3 ROA_t + \beta_4 Beta_t + \beta_5 AG_{t+1} + \beta_6 DivYield_t + \beta_7 M_t/A_t + \beta_8 M_t/A_t * Payout_t + \beta_8 EPSGR_t + e_t;$$

where; M_t/A_t is the interaction term between dividend payout ratio and investment growth opportunity. In fact, the above model examines the relationship between dividend payments and stock income growth in two different directions.

3. Empirical Results

3.1. Descriptive Statistics

Table 1. Descriptive Statistics

Variables	EPSGR _{t+1}	Payout _t	ROA _t	Beta _t	AG _{t+1}	DivYield _t	SIZE	ROE
	Future revenue growth	Dividend payout ratio	Expected return on assets for the year t+1	Market Risk Index	Asset growth in the future	Yield profit	Firm size	Return on equity
Mean	0.163	522	0.75	-0.0072	0.12	0.042	25125	0.23
Median	0.152	433	0.77	0.014	0.14	0.166	88966	0.201
Maximum	0.435	4000	0.87	2.307	0.15	0.29	22419	0.13
Minimum	0.115	0	0.65	-6.24	14	0.0006	-84942	0.11
Std. Dev	0.81	166972	0.07	0.704	0.0042	0.007	41824	0.032
Jarque-Bera	2.56	622	2.25	1.5	1.73	1.2	2.1	0.9
Probability	0.32	433	0.38	0.56	0.47	0.67	0.41	0.8

Normality of the variables has been investigated in the last two rows of Table 1. It is seen in the row of Jarque-Bera statistic that the level of scores are mentioned whether the variables are normal or not normal. In the next row, or last row, the error probability of each variable is stated to investigate the above hypothesis. In this regard, no variable is normal at the probability level of less than 1 percent. It means that the null hypothesis



is verified for all variables. Time-series regression method is used to test the research hypotheses.

Normality of variables is investigated in the last two rows of Table 1. As can be seen, in the Jarque-Bera statistic, the score level is mentioned whether the variable is normal or Non-normal. In the next or last line, the probability of error for each variable is stated to study the above hypothesis. In this regard, none of the variables are normal at probability levels below 1%. This means that the null hypothesis is verified for all variables. Time series regression methods are used to test research hypotheses.

3.2. Estimation Results of Model (1)

The first test aims to investigate effective measuring for dividend payout ratio in the companies listed in Iran stock market. Its statistical hypothesis is defined as follows:

According to a balanced dividend policy, there is a positive relationship between dividend payout ratio and future revenue growth.

H₀: There is a positive relationship between dividend payout ratio and future revenue growth at the company level in companies listed in Tehran Stock Exchange.

H₁: There is no significant relationship between dividend payout ratio and future revenue growth at the company level in companies listed in Tehran Stock Exchange.

The regression model (1) is used at the corporate level and the combined data for testing the first hypothesis.

The first test aims to investigate a valid measure of the dividend payout ratio of companies listed on the Iranian stock market. Its statistical assumptions are defined as follows:

According to the balanced dividend policy, the dividend payout ratio is positively related to future revenue growth.

H₀: For companies listed on the Tehran Stock Exchange, the payout ratio is positively correlated with future revenue growth at the company level.

H₁: Among companies listed on the Tehran Stock Exchange, there is no significant relationship between company-level dividend payout ratios and future revenue growth.

The regression model (1) was used at the firm level and the combined data was used to test the first hypothesis. The estimation results reported in Table 2.

Based on the presented results, since t-statistics for every variable is 0.000, it is possible to argue that all variables are verified at the level of below 1 percent; the null hypothesis, indicating each variable is zero, is rejected. On the contrary, the main research variable has a high t-statistics (2.88) indicating that companies' dividends payment ratio affects the future earnings growth at the error probability less than one percent; they have positive relationship. Therefore, H₁ hypothesis is verified, and one can assert that there is significant relationship between dividends payment in the companies listed in Tehran Stock Exchange and the company's future earnings growth. As a result, the first



hypothesis is verified at the 99% confidence level. In this manner, if paying dividends for companies listed in Tehran Stock Exchange increases one percent, the company's future earning will increase with the rate of 2.6. There is a positive relationship between firm size, predicting return on assets for the year ahead, and future asset growth to future revenue growth of companies. There is a negative relationship between market risk index and performance of dividend to companies' future earnings growth.

Table 2: Regression result of model (1)

Dependent Variable: EPSGR _{t+1} Future revenue growth			
Method: Pooled EGLS (Period weights)			
Variable	Coefficient	Std. Error	t-Statistic
C Intercept	-5.62	4.0	-3.51
Payout _t	2.6	0.9	2.88
SIZE	0.0018	2.84E-08	63.38
ROA _t	13.97	0.01	17.46
Beta _t	-0.49	0.002	-24.5
AG _{T+1}	2.46	0.28	8.78
DivYield _t	-7.01	0.30	-23.36
EPSGR _t	0.01	0.003	3.33
Weighted Statistics			
R-squared	0.92	Mean dependent var	724.59
Adjusted R-squared	0.92	S.D. dependent var	1512.47
S.E. of regression	76.207	Sum squared resid	37127396
F-statistic	13833.87	Durbin-Watson stat	1.82
Prob(F-statistic)	0		
Unweighted Statistics			
R-squared	0.106	Mean dependent var	163.91
Sum squared resid	37842275	Durbin-Watson stat	1.46

Based on the presented results, since the t-statistic for each variable is 0.000, it can be said that all variables are validated at the level below 1%; the null hypothesis that each variable is zero is rejected. Conversely, the main study variable has a high t-statistic (2.88), indicating that the firm's dividend payout ratio affects future earnings growth with less than 1% probability of error; they have a positive relationship. Therefore, the H1 hypothesis is verified, and it can be asserted that there is a significant relationship between the dividend payments of companies listed on the Tehran Stock Exchange and the company's future earnings growth. As a result, the first hypothesis was validated at the 99% confidence level. Thus, if the dividend payment of a company listed on the Tehran Stock Exchange increases by 1 percentage point, the company's future earnings will increase by a factor of 2.6. There is a positive correlation between company size, predicted return on assets for the next year, and future asset growth and the company's future revenue growth. Market risk index and dividend performance have a negative correlation with a company's future earnings growth.



3.3. Estimation Results of Model (2)

The second test aims to study the relationship between the interaction terms of dividend yield and dividend payout ratio and future income growth in the stock market. where $DivYield_t * Payout_t$ is the interaction term between dividend yield and dividend payout ratio, and its statistical assumptions are defined as follows:

H0: For companies listed on the Tehran Stock Exchange, the interaction term of dividend yield and dividend payout ratio has a significant relationship with future revenue growth.

H1: For companies listed on the Tehran Stock Exchange, the interaction term of dividend yield and dividend payout ratio is not significantly related to future revenue growth. The regression model (2) was used at the industry level and the combined data was used to test the second hypothesis.

Estimation results of this study also confirms previous model except that the variable " $DivYield_t * Payout_t$ " is added. Variable " $DivYield_t * Payout_t$ " is negative.

Table 3: Regression Results of Model (2)

Dependent Variable: EPSGRt+1 Future revenue growth			
Method: Pooled EGLS (Period weights)			
Variable	Coefficient	Std. Error	t-Statistic
C Intercept	-0.527	2.5	-2.1
Payout _t	1.6	0.6	2.66
SIZE	0.0021	0.0011	1.90
ROA _t	11.67	0.7	16.67
Betat	-0.48	0.1	-4.8
AG _{T+1}	2.32	0.4	5.8
DivYield _t	-6.015	0.79	-7.61
Payout _t *DivYield _t	-5.39	0.86	-6.26
EPSGRt	0.012	0.002	6
Weighted Statistics			
R-squared	0.970788	Mean dependent var	992.9963
Adjusted R-squared	0.970756	S.D. dependent var	3220.122
S.E. of regression	73.55683	Sum squared resid	34584606
F-statistic	30345.88	Durbin-Watson stat	1.820631
Prob(F-statistic)	0		
Unweighted Statistics			
R-squared	0.123862	Mean dependent var	163.9166
Sum squared resid	37094783	Durbin-Watson stat	1.53669

Based on the presented results, since the t-statistics for dividend yield and dividend payout ratio are 0.000, it can be said that these variables are validated at a level below 1%; therefore, the null hypothesis is validated, and it can be asserted that the Tehran Stock Exchange there is a significant relationship between a listed company's dividend payment and the company's future earnings growth. As a result, the second hypothesis was validated at the 99% confidence level. However, there is a negative correlation



between these two variables. In this regard, the model's coefficient of determination indicates that the model explains 97% of the abnormal return variation. If the interaction between dividend yield and dividend payout ratio increases by one unit, the future income growth rate decreases by 5.39 units. This means negative relationships for them. The relationship of other variables is the same as that of Model 1, and the labels remain unchanged.

3.4. Estimation Results of Model (3)

The third test investigates the interaction term between dividend payout ratios and investment firm growth opportunities, and its impact on future earnings growth of Tehran Stock Exchange-listed firms. When At/Mt is the interaction term between payout ratio and investment growth opportunities, its statistical assumptions are defined as follows:

H0: There is a significant relationship between the dividend payout ratio interaction term and the investment growth opportunities of companies listed on the Tehran Stock Exchange.

H1: There is no significant relationship between the dividend payout ratio interaction term and the investment growth opportunities of companies listed on the Tehran Stock Exchange.

The regression model (3) was used at the industry level and the combined data was used to test the third hypothesis. To test the third hypothesis based on the above model and the results are summarized in Table (4).

Table 4: Regression Results of model (3)

Dependent Variable: EPSGRt+1			
Method: Pooled EGLS (Period weights)			
Variable	Coefficient	Std. Error	t-Statistic
C	-3.59	0.76	-4.72
Payout _t	2.4	0.98	2.448
SIZE	0.028	0.009	3.11
ROA _t	10.03	2.90E+00	3.45
Betat	-0.46	0.2	-2.3
AG _{T+1}	1.99	0.7	2.84
DivYield _t	-6.78	1.5	-4.52
Mt/A	2.19	1.7	1.28
Mt/A *Payoutt	-4.08	2.11	-1.93
EPSGRt	0.021	0.004	5.25
Weighted Statistics			
R-squared	0.98	Mean dependent var	1027.4
Adjusted R-squared	0.98	S.D. dependent var	3717.3
S.E. of regression	73.13	Sum squared resid	34180011
F-statistic	42778	Durbin-Watson stat	1.77
Prob(F-statistic)	0		
Unweighted Statistics			
R-squared	0.124	Mean dependent var	163.92
Sum squared resid	37071107	Durbin-Watson stat	1.53



Based on the presented results, since the t-statistic for each variable is 0.000, it can be said that all variables are validated; since the t-statistics probability of the combined variable between the dividend payout ratio of the companies listed on the Tehran Stock Exchange and the investment growth opportunity Less than 0.10 in the industry, so H₀ is validated. Dividend payout ratios and corporate investment growth opportunities have a negative impact on future corporate earnings growth. The resulting coefficients show that if the ratio between "dividend payout ratio" and "opportunity for company investment growth" increases by one-unit, future revenue growth will decrease by a ratio of 4.08.

4. Conclusion

Dividend policy is one of the most important corporate fiscal policies considered by researchers due to its impact on financing and investment policies. Various theories have been proposed to describe it in modern financial management, thereby studying new aspects of payment effects and implications along with other important factors in the stock market and public companies. Companies must consider many factors to decide how much cash dividends to pay. Cash dividends are an interesting aspect since many investors are willing to predict future investments and decide to hold or sell their shares in the future.

Findings show that the impact of cash dividends on company earnings and stocks can be very helpful. this paper aims to investigate the relationship between dividends and future income growth of companies listed on the Tehran Stock Exchange. According to the theoretical basis of the research, the main research model is established to test the relationship between the dividend rate and future income growth. For this, the researchers used information from the Tehran Stock Exchange from 2007 to 2020. Since the payout ratio has multiple dimensions, the relationship between the payout ratio dimension and future revenue growth is tested in the form of three hypotheses. Using these three assumptions, the combined variable of the dividend payout ratio is calculated and the relationship between the variable and future income growth is investigated. This article is useful for the Tehran Stock Exchange organization as well as for investment companies on the stock exchange. Additionally, managers can use this article to implement their policies in the company.

listed companies take advantage of retained earnings to assist listed companies in financing, increase shareholder utility through dividends on time, and increase listed companies' earnings. Generally, the following suggestions can be made: Growth of the company.

- It is recommended that managers, investors, etc. pay more attention to dividend payments, as this has a significant impact on future earnings growth.
- Advise managers, investors, and others to pay more attention to dividend payments, as the interaction term of dividend yield has a significant relationship with future earnings growth through dividend payout ratio.



- Advise managers, investors, and others to pay more attention to dividend payments as it has a significant impact on future income growth by increasing the growth of investment opportunities.

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