

Paper # 15

The Effect of Dividends and Institutional Ownership on Performance of Companies Listed in Bahrain Stock Exchange

Abstract

The study explores the effect of dividends and institutional ownership on performance of companies listed in Bahrain Stock Exchange. The sample of the study included 42 companies (out of 48) in all sectors in Bahrain Stock Exchange in a period of five years from 2007-2011. Two different measurements of performance were used (Returns on Assets ROA and Tobin's Q) to capture the differences in results when using each one of them and to assess the relevance of each one to justify the conflicting results found by previous studies. The results of the study revealed that dividends have positive and significant effect on performance when using both measurements of performance. Institutional ownership had positive and statistically significant effect on performance when using T'Q while it had negative effect without statistical significance when using ROA. The study also found that ROA measurement is more relevant to performance rather than T'Q but this needs further investigation by future studies. Several recommendations were given to investors and other points needed for future research were cleared out.

Keywords: Dividends, Institutional ownership, Company Performance, Bahrain Stock Exchange.