

Running Head: DETERMINANTS OF DIVIDEND PAY OUT RATIO OF COMPANIES

Determinants of Dividend Payout Ratio: A Comparison of Karachi Stock Exchange & Bombay
Stock Exchange

Muhammad Waqar Akram

Author Note

You may contact M. Waqar Akram by writing to the Finance Department Nizam
Powerway (PVT) Ltd. Lahore.

Contact: ch.muhammad.waqar.akram@gmail.com, waqar@nizam-powerway.com

Mobile: +92-333-6270863, +92-342-6896600



University of Management and Technology, Lahore

**FACTORS EFFECTING DIVIDEND PAYOUT POLICY:
A COMPRISON OF KSE AND BSE CEMENT SECTOR**

Declaration

I certify that this thesis contains my original work submitted in fulfillment of the requirement of the degree of MS Finance submitted to the School of Business & Economics, University of Management & Technology Lahore, Pakistan. It consists of no material which has been accepted for the award of any other degree in my name, in any university, to the best of my knowledge and belief, and contains no material previously published or written by another person, except where due reference has been made in the text. In addition, I certify that no part of this work will, in the future, be used in a submission in my name, for any other degree in any university.

Dedicated to

My beloved parents

Mr. & Mrs. Akram

Acknowledgement

“I hate ingratitude more in a man than lying, vainness, babbling, drunkenness, or any taint of vice whose strong corruption inhabits our frail blood”.” (William Shakespeare)

Contrary to the common perception of a thesis being an individual effort, my experience has been totally different as my MS thesis has been the corollary of a collective effort of myriad personalities – faculty members, administrative staff, colleagues, class fellows as well as my near & dear ones – to all of whom I owe gratitude.

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Abstract

The Cement sector has been most attractive sector in both Pakistan and India for investment prospects. The Governments of both countries are investing in different types of infrastructure facilities which will boost cement sector ultimately. The objective of this study is to find the factors whose decide the dividend policy of cement sector of Karachi Stock Exchange (KSE) & Bombay Stock Exchange (BSE). The dividend payout ratio (Cash Dividend/Net Profit) has been used as dependent variable and leverage (Debt/Equity), liquidity (Current ratio), profitability (Net Profit), investment opportunity (retained earnings/total assets) as independent variables and size (total assets), growth (Sales growth) and tangibility (Fixed assets/total assets) as control variables. The data has been extracted from annual reports of 40 companies (17-KSE and 23-BSE) from 2009 to 2015. The regression analysis with fixed and random effect used. The results show that profitability, liquidity have positive and significant effect on dividend payout ratio and Leverage, investment opportunity have negative impact on dividend payout ratio. Size, growth and tangibility also have direct relation with dividend payout ratios. The tangibility has significant effect in KSE only whereas in BSE, it is not effecting significantly. The BSE companies are paying dividend more consistently than KSE Companies.