

“ DETERMINANTS OF DIVIDEND PAYOUT POLICY IN
THE FERTILIZER SECTOR PAKISTAN ”



by

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“A thesis submitted in partial fulfillment of the requirement of the degree
Of Masters of business administration”

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Bahria University Islamabad
2016***

Acknowledgements:

I'm very much thankful to the Allah Almighty for providing me the good health and abilities to complete my work on time.

I'm very much grateful to Mam SaherZeast for her support, patience and advise to through the whole semester which helped me a lot to produce such quality work.

Here I found the opportunity to pay my gratitude to the entire faculty of management sciences department who provided me with the knowledge which I fully utilized during my thesis. I also want to thank my mother here; her prayers and good wishes have been always with me.

Abstract:

This study is done in order to determine the factors which are responsible in constructing the dividend policy of the firms. The primary objective of corporations is to maximize the wealth of the shareholders and this objective can be achieved by formulating a sound dividend policy. In order to do the research a thorough view of preceding work done on this issue was conducted and after that three dependant variables were identified as the determinants of dividend policy. For the purpose of the research the fertilizer sector of Pakistan was chosen because this sector comprises of firms which are very much heterogeneous as they have many differences in policies, style of business, size, different stages of business cycle and dividends history.

The data of five years was collected from the financial statements of these firms and statistical tests were applied on this data. The outcomes of the data were very mixed due to the differences in the firms but the size of the firms and profitability made by firms showed positive relationship with the payments of dividends most of the times. Growth was the third independent variable but it showed negative relationship with the dividend payments because companies which are in growth phase do need more funds that's more money is retained in business and less amount is paid in the form of dividends. On the basis of the outcomes got in this research an industry to industry analysis- is recommended.

Keywords:

Dividend policy, dependent variables, heterogeneous, financial statements, statistical tests, profitability.

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