

# THE FACTORS AFFECTING DIVIDEND PAY-OUT RATIO IN NON-FINANCIAL FIRMS LISTED AT KARACHI STOCK EXCHANGE

By

**BILAL AHMED**  
**29088**

A thesis presented to the Department of Management Sciences, Bahria University  
Karachi Campus, in partial fulfillment of the requirements  
of the MBA degree



**SPRING, 2015**



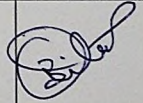
**Bahria University Karachi Campus**

## MBA Thesis

### 2<sup>nd</sup> Half-semester Progress Report & Thesis Approval

#### Supervisor-Student Meeting Record

#### Supervisor-Student Meeting Record

Name of student	BILAL AHMED			
Registration no.	29088			
Thesis title	The factors affecting dividend pay-out ratio in non-financial firms listed at Karachi stock exchange			
No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	18-03-2015	FACULTY-7	Analysis of data gathered and discussed chapter four.	
6	11-05-2015	FACULTY-7	Discussion on chapter five and discussion over how to link research with existing literature.	
7	29-05-2015	FACULTY-7	Final review of thesis, discussion on formatting and plagiarism checked.	

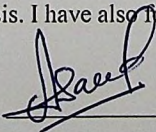
#### APPROVAL FOR EXAMINATION

Candidate's Name: BILAL AHMED

Registration No. 29088

Thesis Title: The factors affecting dividend pay-out ratio in non-financial firms listed at Karachi stock exchange

I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at **18%** that is within the permissible limit set by the HEC for the MBA thesis. I have also found the thesis in a format recognized by the Department of Management Sciences.

Supervisor's signature:  Date: 01-06-2015

Name : AKBER SAEED

HoD's Signature:  Date: 01-06-2015

## Abstract

**Introduction:** The financial managers had to take numerous decisions which had a great impact on the future of a firm. These decisions include financing, budgeting, controlling with a core objective to increase the firm's value and to maximize the shareholders wealth.

**Literature Review:** The chapter examines the previously conducted researches on the topic of profitability factors affecting the dividend payout ratio. The chapter examines the literature based on finding the determinants of dividends pay-outs in Pakistani non-financial firms listed in KSE 100 Index. In order to develop an understanding and to examine the domain of Dividends clearly the recent researches on this topic has been examined and concluded in this chapter.

**Research Methodology:** The research design for this study is "Descriptive Research". The aim of this research is to examine the factors which affect the dividend pay-out ratio. The sample size for this research is Non Financial firms listed in KSE 100 index. The data for this research is collected from Secondary sources. The dependent variable of the research model is Dividend Payout Ratio while independent variables are Profitability, Growth, Liquidity, Tangibility, and Leverage.

**Findings:** The data collected from the secondary sources are then tested via Regression analysis using descriptive statistics. The findings from this research indicate the positive and significant association of non-financial firms' Profitability, Liquidity, Tangibility and Leverage with dividend payout ratio of the however, Growth opportunities have negative association with significant relationship.

**Conclusion:** In conclusion, five determinants of dividend payout ratio, profitability, growth, liquidity, tangibility and leverage have been used in this research. Meanwhile, all the factors have the expected sign and statistically significant. This proves that profitable firms with good liquidity, tangibility and leverage position are more able to maintain higher payout ratio. Growth of the non-financial firms is found to have negative association with dividend payout ratio

*Keywords: Determinants, Financial Sector, Dividend Payout Ratio, KSE 100 Index*

## Table of Contents

List of Tables and Matrices.....	iv
List of Abbreviations .....	v
First Page of Plagiarism Test Report[insert your first page & delete this line].....	vi
Acknowledgements .....	vii
Abstract.....	viii
<b>Chapter 1: Introduction .....</b>	<b>12</b>
1.1 Introduction .....	12
1.2 Background .....	13
1.3 Thesis Statement .....	15
1.4 Research Questions .....	15
1.5 Chapter Summary.....	16
1.6 Organization of Thesis .....	16
<b>Chapter 2: Literature Review .....</b>	<b>18</b>
2.1 Introduction.....	18
2.2 Literature Review .....	18
2.3 Chapter Summary.....	21
<b>Chapter 3: Research Methodology.....</b>	<b>23</b>
3.1 Introduction .....	23
3.2 Research Design.....	23
3.3 Research Sample .....	23
3.4 Data Collection.....	23
3.5 Hypotheses .....	23
3.6 Research Model.....	24
<b>Chapter 4: Analysis of Empirical Studies and Data .....</b>	<b>25</b>
4.1 Introduction .....	25
4.2 Variables Description & Regression Model.....	25
4.3 Results of Empirical Model.....	29
4.4 Summary .....	31
<b>Chapter 5: Critical Debate and Analysis .....</b>	<b>32</b>
<b>Chapter 6: Recommendations and Conclusion.....</b>	<b>34</b>

6.1 Introduction .....34

6.2 Implications & Recommendations .....35

6.3 Future Research.....35