

# **IMPACT OF DIVIDEND ON SHARE PRICE: A CASE OF PHARMACEUTICAL COMPANIES**

**By**

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**MBA Thesis**  
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No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	8-5-15	Sir Faisal's cubicle	Give suggestions on how to analyze the data and its discussion	<i>Komal</i>
6	25-5-15	Sir Faisal's cubicle	Review of chapter 4, 5, 6. Discussion on recommendations	<i>Komal</i>
7	28-5-15	Sir Faisal's cubicle	Review and compilation of whole thesis	<i>Komal</i>

**APPROVAL FOR EXAMINATION**

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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 0% 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.

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## ABSTRACT

**Purpose** – This study is conducted to examine the impact of dividend on share price of Pharmaceutical sector companies listed at Karachi Stock Exchange (KSE).

**Design/methodology/approach** – In this study, a sample of 7 Pharmaceutical firms listed at KSE were selected. Data is extracted from their respective annual reports from the period 2009-2013. In order to measure dividend, three main ratios used which are Dividend per share (DPS), Dividend yield (DY) and Dividend payout (DPO) while market price is used as dependent variable. Descriptive statistics, Correlation analysis and regression models are used to examine the impact between dividend and share price after controlling factors such as Debt, Size, Earning per share and Return on equity.

**Findings** – The paper find that dividend had an impact on share price as 49.4% variation in market price is explained by the model. A positive relationship is found between Dividend per share and market price and a negative relationship between Dividend payout and market price. It was found that Dividend yield has no significant impact on price while Return on equity and price are negatively significant to each other.

**Practical implications** – The outcomes of this study will help the pharmaceutical companies' financial managers to understand the importance of distributing right amount of dividend and hence improve their share price. Moreover, investors also find the results of this study as a useful source in their investment decisions either to invest in a company which pays higher dividend or retaining more.

**Keywords** – Debt, Dividend payout (DPO), Dividend per share (DPS), Dividend yield (DY), Earnings per share (EPS), market price Return on equity (ROE) and size.

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