

# **THE DETERMINANTS OF DIVIDEND PAYOUT POLICY OF THE CONVENTIONAL BANKS IN PAKISTAN**

**By**

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



**SPRING, 2019**

**Bahria University Karachi Campus**

## Bahria University, Karachi Campus



### MBA Thesis 2nd Half-Semester Progress Report & Thesis Approval Statement

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1	25 <sup>th</sup> April '19	Uni Cubicle	Discussion regarding data	Sarah
2	9 <sup>th</sup> May '19	Uni Cubicle	Modifying topic name due to data availability	Sarah
3	10 <sup>th</sup> May '19	Email	Testing of data and discussion	Sarah

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**THE DETERMINANTS OF DIVIDEND PAYOUT POLICY OF THE CONVENTIONAL BANKS IN PAKISTAN,**

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The economy is critically developed through the banking sector and therefore, it plays a crucial role in the activities of economic development. In addition, the economy cannot perform regardless of the presence of suitable banking system in recent period (Ahmed, Rafay, & Ahmed,

## **Dedication**

I whole heartedly dedicate this thesis to my supervisor for his unconditional support and bearing with me till the end of the thesis, guiding me on every step of the way. I dedicate this to my beloved parents and brother for being a source of support and comfort during the times where it got tough for me. Lastly, to my friends who took time out of their busy routine to help me out and support during the making of this thesis.

## Acknowledgement

*First of all I would like to thank the Almighty Allah for making me able and capable to complete this thesis with full determination, hard work and courage.*

*The thesis came into being successfully because of the numerous effort from wonderful people who have always given their valuable advice and lent their precious time. I genuinely admire their concern, and their support which has resulted in an admirable success.*

*I take this thesis as a form of exemplary guidance from our best Teacher Sir Muhammad Asif who gave me his profound support by monitoring and guiding me throughout the semester.*

## Abstract

**Purpose:** The objective of the study is to identify the factors that affect dividend payout policy of conventional banks of Pakistan using panel secondary data.

**Methodology & Design:** The sample population for the current study was selected as the top 10 conventional banks of Pakistan on the basis of their market capitalization from the conventional banks listed on PSX, and for analysis while ample period was selected as 2013 to 2017. However, pooled OLS analysis using random-effect, correlation analysis and Hausman test has been employed for data analysis using EViews 9.

**Findings:** The results in the above table showed that profitability has significantly positive impact on dividend yield of conventional banks in Pakistan while natural log of cash flow found statistically insignificant and negatively related with dividend yield. In addition, financial leverage found positively related with dividend yield while investment growth opportunities found significant but negatively related to dividend yield of conventional banks in Pakistan. However, lagged dividend was found statistically insignificant in relation with dividend payout policy of conventional banks in Pakistan.

**Limitations:** Comparatively smaller sample population and period; wherein, consideration to specific sector and region also restrain its generalizability to larger proportion and applicability comprehension. Further, it has included dividend payout policy of conventional banks.

**Implications:** Managers should be continuously focusing on the company's investment opportunities. Wide range of investments should be focused on by the managers. The more the company invests, the more its risks would decrease and the opportunities to earn more profit would increase.

**Keywords:** *Dividend payout policy, profitability, conventional banks, Pakistan, EViews.*

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