

EFFECT OF FREE CASH FLOW AND PROFITABILITY ON DIVIDEND PAYOUT RATIO

BY

ADEEL AHMED SATTI

23810

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



FALL, 2016

Bahria University Karachi Campus

MBA Thesis

2nd Half-semester Progress Report & Thesis Approval

Supervisor-Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	17-10-016	Faculty Room	Discuss Chp 04 about data integration → Sector Selection.	<i>[Signature]</i>
6	16-11-016	Faculty Room	Discuss Chp 05 and checked Chp 04 Data and analysis data result.	<i>[Signature]</i>
7	20-12-016	Faculty Room	Checked Originality Report and Discuss about corrections.	<i>[Signature]</i>

APPROVAL FOR EXAMINATION

Candidate's Name: Adeel Ahmed Satti Registration No. 23810
 Thesis Title: Effect of free cash flow and Profitability on dividend Payout Ratio

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 19% 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: *[Signature]* Date: 3/02/17

Name: Danish Iqbal

Head Of Department Singnature: *[Signature]* Date: _____

AKNOWLEGMENT

First of all, I wish to express my gratitude to the Almighty Allah (SWT) for giving me the strength, patience and wisdom to complete this work. My sincere gratitude is extended to the individuals whose valuable contributions were indispensable. I'm particularly grateful to my thesis supervisor MR.DanishIqbal of the Faculty of Management Sciences, Bahria University Karachi, who always believed in me, provided me with advice, motivated me, supported me, helped me when I experienced difficulties, and afforded me freedom and flexibility in conducting this research.

I thank my family. To my parents, I thank you for instilling in me that I could do whatever I set out to do, and I dedicate this thesis to both of them.

Finally, all my gratitude to my teachers and friends for all their unfailing support throughout my years of studies. This accomplishment would have never been possible without them all. Thank you.

ADEEL AHMED SATTI

Abstract

Purpose: The objectives and aim of this research study to investigate the impact of free cash flow on dividend payout ratio in cement industry and investigate the effect of profitability on payout ratio of dividend in cement industry. This study is Quantitative in nature i.e. which shows effect and relationship between independent and dependent by analyzing the influence of free cash flow from operations and profitability on dividend payout this research is quantitative research which involves the data available in the numerical form, use the available date of the companies on the annual report and then analyzed using statistical tools and techniques.

Research Methodology: In this research used secondary data already available electronically via survey form and also submitted physically in paper form randomly to individuals until the required sample size is not met. Sample size of this research is sixteen listed companies in the cement industry. Secondary data collection method will be used in this research to obtain a data. Data will be taken from annual published reports and financial statements of firms from the Official website of the Firm and that should be audited sourced from PSE 100 INDEX for a period of Ten years (2006 –2016).

Findings of the Research: It has found through this study that there is significant impact of profit after tax and dividend payout ratio of listed cement firms on .while free cash flow and dividend payout is insignificant

Practical Implications: It helps the firm to improve the profitability of the listed firms in cement industry in Pakistan.

Key words: Free cash flow, Profitability, Dividend payout ratio

Table of Contents

• INTRODUCTION	01
• Back ground of the study.....	01
• DefiningFreeCasFlow.....	03
• Defining Profitability.....	04
• DefiningDividend.....	05
• Defining Dividend Payout Ratio.....	05
• Research problems.....	06
• ResearchObjectives.....	06
• ResearchQuestions.....	07
• Significanceofthestudy.....	07
• Limitation.....	08
• OrganizationoftheStudy.....	09
• LITERATURE REVIEW	09
• METHODOLOGY	18
• Research Design.....	19
• Population	19
• Sampling Technique and Sampling Size	19
• <i>Data Collection</i>	18
• Data Analysis.....	18
• HYPOTHESIS.....	19
• <i>Framework</i>	19
• DATA INTEGRATION AND ANALYSIS.....	20
• CRITICAL DEBATE	22
• CONCLUSIONS AND RECOMMENDATIONS	27
• REFERENCES	29