

**DETERMINANTS OF SHARE PRICE VOLATILITY: EVIDENCE
FROM FINANCIAL SECTOR OF PAKISTAN**



SUBMITTED BY

**MUHAMMAD USMAN BHATTI
(01-297172-010)**

SUPERVISED BY: DR SAJID ALI

**Faculty of Management Sciences
Bahria University, Islamabad
2019**

Abstract

This study investigates the relationship between dividend policy by taking “dividend yield and dividend payout” as an independent variable and the volatility of the share price as a dependent variable. Data is taken from PSX listed 18 financial institutions for the period of ten-year from 2008 to 2017. Fixed effect regression model used for the analysis of panel data which was obtained from the annual Financial reports of the companies, the empirical outcomes shows that there is a significant negative relationship among the Dividend Yield and Payout Ratio with shares price volatility, and a positive relationship between the Assets growth and share price volatility. This is consistent with the findings of Allen and Rachim (1996). And the conclusions on the “Dividend Payout” is in line to Baskin's (1989) conclusions. The general results suggest that if higher the “Payout Ratio”, than share price will be less volatile. They also suggest that the “Payout Ratio” is the main determinant of the volatility of the share price. Among the control variables, it emerged that assets growth had the highest correlation with price volatility. While the size had a significant negative relationship with price volatility, which suggests that the larger the company, the less volatile the stock price. This research also shed light on the path to find out how the stock price moves, as well as the important factors that should be considered by the shareholders. investors and administrators of company before making investment decisions and formulating dividends Policies.

List of Contents

CHAPTER 01	5
1. INTRODUCTION	5
Background.....	7
1.1.1 Pakistan Stock Exchange (PSX)	7
1.1.2 Pakistani banking industry	8
1.2 Research Question.....	14
1.3 Objectives of the study.....	14
1.4 Problem statement.....	14
1.5 The significance of The Study.....	15
1.6 Research Limitations.....	16
CHAPTER 02	17
2. LITERATURE REVIEW	17
CHAPTER 03	44
3. Research Data and Methodology	44
3.1 Population	44
3.2 Sample Size.....	44
3.3 Data Characteristic.....	44
Table 3.2 DETAILS OF VARIABLES.....	46
CHAPTER 04	47
4 Methodology	47
4.1 The hypothesis of the Study.....	49
4.2 Theoretical Framework	50
4.3 VARIABLES.....	52
4.3.1 Dependent Variable	52
4.4.1 Independent Variable.....	52
4.4 Calculations.....	55
4.4.1 Dependent variable	55
4.4.2 INDEPENDENT VARIABLE	56
Descriptive analysis	58
Correlation analysis.....	58
Regression analysis	59
CHAPTER 05	60
5 Empirical results	60
CHAPTER 06	66
6 Conclusion	66
6.1 Limitations	67
6.2 Recommendations.....	67

List of Tables

Table 3.1 Characteristic of Data.....	45
Table 3.2 Details Of Variables.....	46
Table-I Descriptive Analysis.....	60
Table-II Correlation Analysis.....	61
Table-III Hausman Test.....	63
Table-IV Regression Analysis through Fixed Effect.....	63
Table-V Regression Analysis through Fixed Effect.....	64