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Determinants of Dividend Payout Policy - An Empirical Study of Banking Sector of Pakistan

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Abstract

The goal of this study is to examine the determinants of corporate dividend policy with respect to the Pakistan Banking Sector. To this end, the researcher considered the data of 13 Pakistani domestic banks operating in both Islamic and traditional countries. The numerous researchers assessed that the Dividend Payout Ratio is dependent on operational efficiency and profitability. Pure quantitative analysis performed in the Post-Positivism Framework on the basis of accessible constructs and financial ratios is the basis for the assessment of the Dividend Policy. A sample was selected to pay dividends in the last five years. This research is based on the 2008 to 2019 panel data of the Dividend Payout Ratio as dependent variables and the Return of Assets, Return on Equity, Earnings per Share, Current Ratio and Debt to Equity Ratio as independent variables. The root test of the Unit was performed to evaluate the stationary data. The Haussmann Test was used to evaluate the random effects of the data. Model results show that the variables are significant and that only the Return on Asset has no significant relationship and the Return on Equity and Current Ratio is a significant predictor in this case. Research analyzed dividend payment can be affected by a number of ways and few measures in the banking sector assessed in this research, which helps banks to analyze the impact of different components on dividends.

Keywords: Dividend Payout Ratio, Debt to Equity Ratio, Return on Assets, Return on Equity, Current Ratio, Banking Sector.

1. Introduction:

1.1. Background of Study

Dividend is a profit from the profits of the corporation paid to the shareholders, determined by the board of directors. Dividend per share is the sum that each share earns. The dividend payout ratio is the amount of earnings paid out as dividends. The dividend payout scheme sets the pattern of earnings payments for the stockholders. This research paper seeks to define the determinants of dividend payment policy within Pakistan's banking industry. Banking industry is the cornerstone of a country's economy and all of Pakistan's banks are listed on Pakistan's stock exchange.

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1.1.1. Dividend Definition

The payout ratio for dividends is the ratio of the total amount of dividends paid out to shareholders relative to the company's net revenue. That is the amount of dividend profits paid out to shareholders. The money not charged to creditors should be kept by the company in order to pay down the debt or reinvest in core operations. Often, it's alluded to literally as the 'payout ratio'.

The dividend payout ratio gives an indicator of how much equity a business returns to shareholders and how much reinvesting in production, paying down debt, or contributing to cash reserves (retained earnings) leaves on hand.

Key Takeaways

- The dividend payout ratio is the proportion of profits paid out to shareholders as dividends, typically expressed as a percentage.
- Some companies pay shareholders all their earnings while others pay only a portion of their earnings. If a company pays out some of its earnings as dividends, then the business retains the remaining portion. The retention ratio is calculated to measure the level of receipts retained.
- Various considerations relate to the interpretation of the dividend payout ratio, most importantly the level of maturity of the company. A modern, growth-oriented business aiming at expanding, producing innovative goods and entering into new markets will be required to spend any or all of its profits and might be forgiven for getting a small or even zero dividend ratios.

Various considerations relate to the interpretation of the dividend payout ratio, most importantly the maturity level of the company. A modern, growth-oriented business aiming at expanding, producing innovative goods and entering into new markets will be required to spend any or all of its profits and might be forgiven for getting a small or even zero dividend ratios. For businesses that do not offer dividends, the distribution level is 0 percent and is 100 percent for firms who offer out their whole operating profit as dividends.

1.1.2. Dividend Sustainability

The payout ratio is also useful in assessing the sustainability of a dividend. Companies are extremely reluctant to cut dividends, as it can drive down the stock price and reflect poorly on the capabilities of management. When the distribution ratio of a corporation is more than 100 percent, it returns more capital to creditors than it receives and is likely to be pressured to reduce or avoid offering the dividend entirely.

However, this result is not inevitable. A business endures a poor year without stopping payouts, so they are always justified in doing so. Therefore, analyzing future earnings estimates and estimating a forward-looking payout ratio is necessary in order to contextualize the backward-looking one.

Long-term payout-ratio patterns often apply. A slowly increasing ratio may suggest a stable company that is maturing; however, a spiking one might imply that the dividend is going towards unstable territory.

The maintenance ratio is a converse principle of the distribution ratio for dividends. The dividend payment ratio assesses the amount of earnings that a business charges to its owners, whereas the maintenance ratio reflects the amount of earnings gained where the business preserves or reinvests.

1.1.3. Dividend Payout Ratio vs. Dividend Yield

When contrasting the two-dividend metrics, it's crucial to note that the dividend yield shows you what the basic rate of return are to shareholders in the form of cash dividends, but the dividend payout ratio reflects how most of a company's net profits are paid out as dividend. While the dividend yield is the term which is more commonly known and examined, most assume that the dividend payment ratio is a stronger measure of the firm's willingness to reliably deliver dividends in the future. The dividend payout ratio is closely linked to the cash balance of a business.

The dividend yield indicates how much a company has paid out in dividends in addition to the market price over the span of one year. The yield is a measure, not a real Rupees number. This makes it easy to see how much gain per Rupees the shareholder has spent gets by dividends.

Important

The dividend payout ratio is an accounting concept used to calculate the amount of net profit a company charges in the form of dividends to its shareholders. The payout ratio is important because it tells investors how much of the profits the company returns to shareholders.

The dividend has played a critical role in expressing the company's financial stability and the interest of its shareholder. Dividends are those cash that the company periodically pays out of the profits to its shareholders that eventually gave a clear powerful message about the company's vision, its future performance and its ongoing goals. Financial stability of the company determines how the company is able over time to pay a steady dividend, and how much they want to increase it. Such clues provide good aspects of the dynamics of the business (Gul, Mughal, Bukhari and Shabir, 2012).

The dividend policy is essentially the collection of guidelines or procedures as to how the company should pay its shareholders a dividend. Investors are not concerned with the company's dividend strategy, according to the "dividend irrelevance hypothesis," because if they want cash then they can quickly sell the portion of their stock portfolios. That implies the dividend will have little or no effect on the stock price. There are three major dividend approaches: residual, stable, and hybrid dividend policies (Ruland, 2006).

The dividend stability models the residual dividend model contrasts significantly with the policy model. This model will create stability when it comes to giving its shareholder a dividend. Divided into dividend discount model high fluctuation provides diversions for investors.

The dividend stability models are set at a fraction of annual earnings which means the investor's volatility will decrease and provide a steady income for them. The hybrid approach consists of both a stable divided residual as well. Using this approach, a company will interpret the debt-to-equity ratio as a long-term viewpoint rather than a short-term one. Typically, those businesses that pay their shareholders the dividend employ this strategy. Such businesses also undergo various variations in the business cycle; they may have one fixed dividend which will fix a relatively small or very low portion of annual earnings or profits which can be easily sustained by the corporation. These businesses will pay another extra dividend, but on the basis of net profits, which ensures that the company can easily retain its fair dividend balance (Oskooee & Sohrbian, 1992).

1.2. Research Problem

The relationship between the dividend payout ratio and the dividend policy determinant poses the problem of coming at this relationship from the standpoint of a shareholder. The determinant of dividend production policy in the banking sector has a significant influence on the dividend payout ratio and those determinants have a direct or indirect effect on dividend payout that includes leverage ratio, organization size, liquidity, profitability, equity return and development. The dividend payout policy is a significant decision taken by the board of directors to explore the core determinants of divine payout policy, so this study focuses on learning the definition of those determinants and is one of the important resources in Pakistan's banking industry to build better decision-capabilities.

After two decades of non-stop analysis, the dividend strategy is still classified as one of the top ten key unresolved problems in the finance world where there is no consensus (Brealey & Myers, 2003). Until recently, the review of the dividend policy in emerging stock markets was more restricted than in developed markets.

1.3. Research Gap

There are various studies conducted on Dividend Policy, but analyzing various determinants in banking sector in Pakistan includes the liquidity factors, profitability and leverage together to analyze the factors to affect the determinants of dividends. The relationship between dividend payout ratio and the determinant of dividend policy provides the challenge of examining this relationship from a shareholder’s view. The determinant of dividend output policy in the banking industry has a great impact on dividend payout ratio and those determinants have direct or indirect effect on dividend payout that include leverage ratio, the size of the organization, the liquidity, profitability, return on equity and growth.

The dividend payout policy is an important decision taken by the board of directors to explore the core determinants of divined payout policy, so this study focuses on the learning the concept of those determinants and is one of the important tools to come up with better decision-making capabilities in banking industry of Pakistan.

1.4. Research Objectives

The banking sector plays a key role in the country's economy's growth and the entire operation of the economy revolves around it. It depends on accepting deposits and lending credit and buyers of its financial instruments to meet the demand for investments, on which it must pay return in the form of interest and dividend. It is observed that only some studies were conducted in Pakistan to examine the interaction between the dividend payment and the wealth of the shareholders in the banking industry. Net earnings in general are split into two pieces: "retained earnings and dividends.

The profits that the concern maintains are reinvested with futuristic hope and are known as long-funds and the remaining portion of net earnings are distributed to shareholders in consideration of increasing their wealth as they have invested their savings in hopes of future financial gain and overall growth. For the analysis, therefore, the banking sector was chosen primarily to examine the degree to which dividend affects the wealth of shareholders. In addition, to analyze the results and arrive at the best and worst performing bank in terms of dividend payout and retention. The main purpose of this analysis is to investigate the Relationship between the dividend distribution and the wealth of shareholders, Analyzing the level of shareholder wealth improvisation with increased dividend, and analyzing the effect of Pakistani banking companies 'dividend valuation policy on shareholder wealth.

1.5. Research Questions

1. What is the impact of ROA on Dividend payout Ratio in Banking Sector of Pakistan?
2. What is the impact of ROE on Dividend payout Ratio in Banking Sector of Pakistan?
3. What is the impact of EPS on Dividend payout Ratio in Banking Sector of Pakistan?
4. What is impact of DER on-Dividend payout Ratio in Banking Sector of Pakistan?
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1.7. Justification

The study investigated those listed banks that more often pay dividends. Financial quality, health, risk and profitability are main determinants of dividend payout in Pakistan's banking industry. The results of this study will increase the chances of successful dividend payout policy decision taking in order to effectively target their investors (i.e. stockholders) and to compete better with the competing listed companies. The aim of this paper is to determine Pakistan's dividend payout Policy and Dividend Payout Ratio.

1.8. Significance

The dividend payment strategy is clearly a significant decision made by the board of directors. Therefore, the key determinants of dividend payout policy in Pakistan's banking industry are greatly required to be explored. Determination of the powerful factors of the dividend payout policy is very important for a public limited company. The shareholders expect better from the dividends they earn. The research's first goal is to define the most relevant dividend payout policy factors in Pakistan's banking sector. Second, to investigate the dividend payout relationships and their determinants which are?

- Financial performance,
- Safety,
- Risk and
- Profitability.

This research study would allow the board of directors of the listed companies in particular the banks to streamline their dividend policy. This analysis is therefore useful in understanding the dividend payout policy determinants and may help the board of directors make decisions on dividend payouts. Improved understanding of the important factors could help decision-makers evaluate an appropriate policy on dividend payouts. The interest of individual investors as well as institutions in becoming shareholders was high.

1.9. Limitation and Scope of Study

This research includes restricted determinants like scale, productivity, protection, liquidity and leverage that are undeniably and closely linked to dividend payout. The study is also focused on monthly data from top 5 banks with a financial data from the last ten years. Different researchers consider the moderating influence of dividend policy determinants on dividend payouts.

1.10. Dependent Variable

1.10.1. Dividend Payout Ratios

The distribution ratio for dividends functions as the dependent variable here. The dividend is paid out of the bank's income. Banks with better control of deposits and higher profits are projected to have higher dividend payout ratios. Generally speaking, matured banks pay more dividends to those with restricted investment opportunities than growing banks; since they have to invest in new investment opportunities available. Growing banks tend to maintain more income, the reason for avoiding external financing. Internal financing helps raise the average price of new shares while increasing the interest of existing shareholders.

Dividend payout ratio = dividend per share ÷ earnings per share

1.11. Independent Variables

1.11.1. Return on Assets

Return on Assets (ROA) is a productivity measure. It dictates the banks 'effectiveness; how well have they used their assets to generate profits? The higher ROA shows the quality of resource use management. ROA and dividend payout are expected to have a positive relationship.

Return on Assets (ROA) = Net profit after tax / Total Assets

1.11.2. Return on Equity

Return on equity (ROE) is a financial performance metric measured by dividing the net profits by the equity of the shareholders. Since the equity of the shareholders is equivalent to the assets of a corporation minus its debt, the return on net assets is known to be ROE.

Return on Equity (ROE) = Net profit after tax / Shareholder’s Equity

1.11.3. Earnings per Share

Earnings per share (EPS) are measured as the profit of a company divided by the common stock's outstanding securities. The resulting number serves as a productivity indicator for a company. An advertisement of EPS, which is adjusted for exceptional items and potential earnings dilution, is normal for a company. The higher an EPS for a company, the more profitable it is considered.

Earnings per Share (EPS) = Net Income / Outstanding Shares

1.11.4. Debt to Equity Ratio

The debt / equity ratio (D / E) is determined by dividing the total liabilities of an entity by equity. These numbers are on a company's annual statements balance sheet.

The rate is used to determine financial leverage for a client. A significant metric used in corporate finance is the D / E ratio. This is a calculation of the degree to which a company finances its operations by borrowing from fully owned assets. Most precisely, it represents shareholder equity's willingness in the event of a financial downturn to pay all remaining debts.

Debt/Equity = Total Liabilities / Total Shareholders' Equity

1.11.5. Current Ratio

The current ratio is a liquidity ratio that calculates the willingness of a company to meet short-term liabilities or maturities in a year. It shows investors and analysts how businesses will be able to leverage their balance sheet assets to cover existing and other obligations.

Current Ratio = Current Assets / Current Liabilities

2. Literature Review

This chapter discussed the importance of key words and principles used in this research, and references a number of earlier studies connected with this research. It is summarization and discussion of earlier published studies. The study of the literature includes analyzing knowledge and identifying variables for testing, modeling work and data analysis.

2.1. Corporate Dividend

The dividend is basically determined by the company's board of directors to split the company's profits in relation to the share that has been allocated to the shareholders.

Dividend is usually declared monthly or on a quarterly basis. In other cases, most investors are se eking the dividend of the business based on their dividend yield which eventually calculates the dividend in relation to the percentage of the current share price.

To assess the dividend of the company, the net income of the company isan essential tool which can be distributed through a dividend to the shareholder. It can also remain as retained earnings within the enterprise and term.

2.2. Dividend Policy

This is simply a company's strategy to distribute the income to the shareholders or stockholders. Most of the company's usually in the growth phase so they decide not to pay the dividend, on the other hand, their approach is to reinvest their profits in the business and call it a retained profit. The issue emerges when the company has decided to pay the dividends so the first logical question is how often and at what rate to do that.

In general, MNC's or formed corporations pay dividends on a fixed basis. Often, they also declare their own ease and relaxation with reverence for the "private dividend."

The overall risk of the company influences the dividend strategy of the firm according to Pruitt and Gitman (1991). Companies with strong growth levels and high dividend payout ratio are said to typically use and use debt funding and have a large leverage relative to their respective industries. For some industries the compensation and debt ratio have a favorable relationship but it has a negative relationship in other industries.

According to D'Souza the relationship between risk and dividend payout ratio is negative and statistically important. In conclusion, he has highlighted the points that corporate productivity, cash flows, market-to - book ratio will influence the payout ratio of dividends. According to the Gordon (1963), dividend payment to the shareholder could easily elevate the firm's market value. It gives investors assurance regarding the company's efficiency in terms of opportunities for profit and investment.

The dividend payout ratio is a source of data about the company's projected earnings. Therefore, a reduction in dividend payout corresponds to a rise in hold profits for any potential speculations or, on the other hand, if the organization is typically uncertain about its future revenue, it needs to cut the profit payout at that stage (Pruitt & Gitman, 1991).

2.3. Types of Dividend Policy

2.3.1. Residual Policy

In the Residual Dividend Program, only companies pay earnings dividends when all NPV programs are successful. In this way, investors tend to spend more and pay fewer dividend amounts, so the policy on dividends is global in that case. Dividend residual theory suggests that a corporation will maintain its productivity for future ventures and allocate the remaining portion of earnings in the form of the dividend to shareholders. The dividend payout ratio is identified as being able to change the firm's market value positively.

2.3.2. Constant Payout Residual Dividend Policy

Within this policy, the firm pays the shareholders a fixed proportion of earnings each year. If company earnings decline or features loss in any year so that dividends can be decreased or maintained for the following year.

2.3.3. Smooth Residual Dividend Policy

This strategy is very similar to constant payout as corporations pay dividends to shareholders each year after dividend declaration businesses have to pay the dividends and don't keep or cut off.

2.3.4. Small Quarterly Dividend with Annual Bonus

A few companies have picked this kind of strategy. In this kind of method, firms pay low general dividends if firms pay extra dividends allocated as additional or special profits / dividends in the

gaining amounts than normal gains at that point. By awarding the extra measure of profits as one-time income companies abstain from giving false expectations to speculators.

2.4. Dividend Payout Ratio

As a research dependent variable, it generates significant variety in dividend policy model learning. The total dividend paid to the owners or shareholders relative to the company's revenue and earnings is defined as the dividend payout ratio. In other words, the shareholders' share of the earnings is known as dividends. The remainder of the amount not given to the shareholders is invested back in the company again and is termed retained earnings. The purpose of the retained earnings is either to offset the debt or to expand the operation of the business.

For the board of directors, this ratio is an indicator of how much capital and at what pace the company is returning to its shareholders in respect to how much money the business is reinvesting for the growth perspective. If the company has the money in hand then the underlying aim of this strategy is to put the cash in the cash reserves of the company or reject the company's payables.

Different businesses perceive the dividend payout ratio differently. The main critical element is the maturity level of the company. For example, a new business that is still in the growth process and their main goal is to expand and because of this their research and development (R&D) cost rises for which they need more capital and they will not be able to give their shareholders a dividend in this way. Likewise, if they use their R&D to launch the new product on the market, they will need the new force sales department, marketing and other related costs that will also be covered from the revenue. For a new growth-oriented business, therefore, they have a little to zero dividend payout ratio as they have reinvested the profits in the company's activities in order to fulfill the vision and task.

The dividend per share is a very useful tool for exploring durability and sustainability of dividends and accessing them. Companies are limited to cutting the dividend as soon as they can. The company's 100 percent payout ratio is a sign and indication that the shareholders receive more money than it earns and reinvests in the business. Such action would either potentially pause the dividend or lower the dividend in the future.

Some of the key points in terms of payout ratio is the long-term pattern of ratio, which also matters when it comes to assessing the quality and financial performance of the company. The healthy and maturing market dimension is clearly demonstrated by a stable or gradual rise in the payout ratio on an annual basis, but a spiking one may result in the dividend heading into the unjustifiable territory.

2.5. Return on Assets and Dividend Policy

The ratio demonstrates the productivity analysis about the assets of a business which implies how effective management of a company will use the assets of the company to produce the company's earnings. This offers the owners, executives, and the company's board of directors a clear view of the company's resources uses compared to profitability.

The company's effectiveness in generating the maximum through the use of the ratio of assets gives an indication of whether the company is smart enough to implement cost control or own property management. The ratio is used for calculating the rate of return on the properties. So net income needs to be after the interest costs so taxes are subtracted. The result would be higher, as higher return on investment would eventually yield the company's best and benefit them.

ROA's basic aim defines the earnings of the company that are generated from the capital invested. The ROA of the public limited company is highly dependent upon the industry as a whole. That would be a better interpretation of ROA as a metric for comparison. ROA's better understanding is basically to compare it with the previous ROA of the company, or against the similar company that works with in the same industry.

The ROA is one of the general ratios used to evaluate the general aspect of the financial position of the company, according to Hansen and Wernerfelt (1989), and it actually measures the relationship between profitability with respect to the assets. The study also showed that the disaggregation of asset returns into asset turnover and profit margin does not provide incremental information for forecasting the change in asset return one year ahead, but that disaggregating the change in asset return into the change in asset turnover and the change in profit margin is useful for forecasting the change in asset return one year ahead.

It is one of the most effective tools trying to compare companies with in the same industry because different companies use assets differently i.e. service-based companies like a bank, insurance companies will have higher ROA compared to capital-intensive firms like construction or utility companies or manufacturing firms.

H1: There is an important relation among bank profitability (ROA) and payout ratio.

Small firms may perform better than large firms or MNCs when the economic situation is much better, while evaluating that when small firms have poor or worst economic conditions, they appear to have very low output heterogeneity in the same sector and shift to bankruptcy.

2.6. Return on Equity and Dividend Policy

The underlying purpose of this ratio is to calculate the profitability of a corporation with respect to the equity. It determines how much income was generated from the money that the shareholders were investing in that organization.

The ROE will allow businesses to effectively and efficiently control their own capital resources, i.e. the firm's net worth. Furthermore, it is said that this ratio can measure the return on investment made by the investor or the company's shareholders. It shows whether the return on equity is higher than it will ultimately boost profit growth over time.

ROE shows the profitability of own invested capital, or the growth and profitability of businesses. ROE has a strong impact on profit growth due to the pattern and nature of the investment that the company has made in order to make efficient use of their assets to maximize profit. In addition, the income from debt generated by capital may be used to offset the expense of the capital.

This is one of the most important methods for assessing the competitiveness of a product and for comparison with other firms in the same field. It illustrates which one is more effective in turning the cash and then takes those cash into the business to revert with a greater profit and growth of both the company and its investor. The ROE equation says that if the ratio is higher; it shows that the company is more successful in the activities of the company and is making good use of the funds. There are many ways to assess equity for the shareholder.

Most of the investor's goal is to see the return on common equity of the company only instead of in both the equity, so they used to change the calculation by subtracting the preferred dividend from the net profit and subtracting the preferred equity from the equity of the shareholder.

Some investors tend to see their ROE in terms of taking the shareholder's equity average. They take the shareholder's equity from the beginning of the year, which is usually the value of the last year's equity, which has been terminated, and then add this equity with the equity at the end of the current period and divided by 2 so that the value that comes is basically the average equity of the shareholder.

ROE is not the tool to measure profit, according to Hansen and Wernerfelt (1989), but it actually measures efficiency. ROE in rising trend indicates the capacity of a business to produce the earnings without any additional capital requirement. This also reveals how effective and productive management of the company is using the shareholder’s resources. To conclude, the higher the ROE, the better the firm is in terms of its financial stability.

Much of the equity of the business is going down but ROE is going upwards. This shows the company is using the share buyback and writing its own strategy to artificially boost the ROE for the sake of various purposes. Likewise, a high level of debt will raise the ROE as well.

H2: Return on Equity and dividend payout has a major relationship.

2.7. Earnings Per Share and Dividend Policy

Earnings per share (EPS) and dividends per share (DPS) represent both the profitability of a business but this is where all similarities end. Earnings per share are a measure that assesses how profitable an entity is per share of its revenue. On the other hand, dividends per share determine the portion of a company's profits which is paid out to shareholders. All have many uses for investors trying to break down the viability and future of a business and analyses it.

Earnings per share (EPS) refer to the profitability of a company, and is one of the most common metrics analysts point to when assessing a stock. EPS is the net income of a corporation, distributed to each share of its common stock.

DPS is the amount of declared dividends a corporation issues for every outstanding ordinary share. It is the number of dividends each of a company's shareholders earns per share. Ordinary shares,

or common stock, are a corporation's primary voting rights. Shareholders are normally granted one vote per share and have no fixed dividend amounts.

When a stock dividend has been paid, the stock price also rises. However, since a stock dividend raises the number of outstanding shares when the firm's valuation stays constant, the book value per common share is decreased and the stock price is reduced accordingly.

H3: The relationship between the EPS and the dividend payout is significant.

2.8. Current Ratio and Dividend Policy

The current ratio is one of the most important financial stability and health tools the access company has to offer. In fact, it measures the ability of the company to pay the short-term obligations. It also makes a rough calculation in order to pay off their current liabilities, which are typically in the form of accounts payable; and the company needs to pay to its suppliers and vendors and it also requires other obligations in the form of cash, marketable securities and inventory with respect to the current assets as well.

Hansen and Wernerfelt (1989) concluded that the present ratio should be condensed so that it can be interpreted in different situations and aspects. The new policy on ratios may be removed from oversight because of the field the company operates in. For example, if the company is a trading-related business so they must store the stock for a long-term period in their good down to give the credit to their credit and be able to gain a large market exceeds. In this way the balance sheet inventory grows. Therefore, it would also boost the company's current asset, and if the current asset rises then the current ratio would eventually grow. Compared to a manufacturing company it is appropriate for the trading company to get a high current ratio. It is also suggested that if the manufacturer calculates their current ratio then it would be advantageous for them to try to reduce their inventory as much as they can.

There are different ways that can be used to lower inventory. They may reduce the development cycle by projecting or forecasting from the preceding years.

H4: The relationship between company liquidity (current ratio) and dividend payout is significant.

2.9. Debt to Equity Ratio

The ratio shows how much liability the company uses to secure or fund its total asset, relative to the value of the total equity of the company. Companies with a high debt-to - equity ratio may disregard the lender for lending the money because the company already has debt relative to the equity, so that the borrower might have a chance to delay or create a bad repayment behavior that ultimately stops the lender from lending the money.

This describes and demonstrates from what proportion of equity is used to fund the company's debt. It is further reported that the ratio for the total corporate debt is used to calculate and assess

the proportion of equity capital as leverage or primary security. Debt-to - equity ratio appears to have a greater effect on the financial flexibility of the firm, its ability to meet its short- and long-term obligation; and its competitiveness in the market. These are one of the core factors which assess the company's potential outcome. The loan will not surpass the owner's total net worth, because it would raise the likelihood of foreclosure and the lender may consider it impossible to compensate their borrower and lose the good faith on the business.

H5: Financial Leverage (DER) has a significant association with dividend payout.

Diverse findings regarding dividends have been published by various researchers. Miller and Modigliani (1961), who were considered pioneers in the dividend payout policy study, found that there is no relationship between a company's market value and dividend payout policy. Market value does not depend on a policy of dividend payouts. Many other scholars at the same period came to very opposing conclusions. The firm can raise its market value by paying dividends according to Gordon (1963).

2.10. Empirical Research

2.10.1. Dividend Payout Ratio

In this research paper, In Pakistan banking sector is to examine factors that effects Return on assets (ROA), Debt to equity ratio (D/E), growth of Assets and Dividend Payout Ratio (DPR) in a year before to Dividend Payout Ratio. “Payout Ratio for the dividend is the percentage of the total sum of dividend remunerated out to shareholders according to the company’s net income”. The DPR gives an indication of how much money a business to return its shareholders as opposed to how much its hold on hands to reinvest in production, pay off debts or add to retained earnings. Dividend Policy is the whole management strategy for deciding how much net profit should be given out and how much net income for the corporation should be maintained. The company’s dividend policy is expressed in DPR, which also contain a percentage of earning that needed to be paid as cash dividend. The DPR indicates the ratio of dividends to remaining net income earnings. The management of company need to consider which factors may influence the company’s dividend policy. Profitability is the principal factors that influence dividend policy. Profitability is a key determinant in deciding the company that pays dividend. This happens because businesses are prepared to pay a higher price for dividend if the company’s profitability improves.

ROA is a measure of how profitable a business is relation to its total assets. Debt to equity ratio is a measure that demonstrates of the company to meet all of its commitments, as shown by certain portions of its own capital being used to pay debt. Companies with a higher debt ratio will pay less dividend, as the profits raised are used to pay off liabilities. Assets are allocated to the company’s financial operations. The organization expects the larger assets to produce operating results. The findings showed a significantly positive influence to DPR from ROA and DRP in a year before.

This paper aims at measuring / assessing the link between profitability and dividend payment. Dividend decision is directly linked to the judgment on financing and expenditure. It is important for a company to determine the shareholders’ optimal decision on dividends. It also makes a

reasonable balance between the retention and satisfaction of the shareholders. Dividend Payout Ratio (DPR) it generates broad diversity in dividend policy model learning. The total dividend paid to shareholders or owners relative to the company's revenue and earnings is known as Dividend Payout Ratio. In other words, the shareholder earnings proportion is known as dividends. The residual sum that is not issued to shareholder is reinvested in the business again and is known as retained earnings. The aim of retained earnings is to either pay off the loans and debts or to increase the operation of the organization. For the BOD (Board of Directors), this ratio is a measure of how much capital and at what pace the firm is returning to its shareholders in regards to how much money the business is reinvesting for growth perspectives. If the firm holds the money in hands, the underlying objects of this strategy are to transfer the cash to the cash reserves of the business or to decrease the company's account payables. The DPR is a valuable and useful method for exploring durability and sustainability of dividend and accessing them. Companies are limited to decreasing the dividend as soon as they can. Some of the key points about the payout ratio are long-term ratio pattern, which also applies when it comes to assessing the quality and financial success of the organization. The healthy and maturing market dimension is clearly demonstrated by a steady or constant rise in the payout ratio on an annual basis, but a spiking one may result in the dividend heading into the unjustifiable territories.

Various businesses have a common definition of the distribution ratio for dividends. The key important and vigorous aspect is the degree of maturity of an organization. For example, a new business that's in the growth process and their primary focus is to develop and because of this their Research and Development spending rises for which they need much more capital and they can't give their shareholders a dividend in this way. Likewise, they bring a new product into the market with the aid of their R&D, they would need a new force sales staff, marketing and other related expenditures that would also be funded from the profit. In a new growth-oriented business, therefore, they have a low to zero DPR because they reinvested the profits in the organization's activities in order to fulfill vision, purpose and mission. In this research result indicates that the firm's profitability is strongly affected by the dividend decision. Dividend decision has an essential role to play in helping the company make a crucial decision in which a firm can determine how much to report and how much to keep from EPS. The dividend decisions are directly related to the financing decision and investment decision as well, it is crucial for a corporation to determine for the shareholder optimal dividend decision.

In this research, Return on Investment (ROI) can be dividing into dividend payout and capital's gain. This has been challenging task for management to allocate appropriate amounts in both portions, particularly to prevent problems with agencies. The companies only distribute the amount of dividend when they have enough amounts after fulfilling their needs and short-term needs. The finding indicates that the company's preceding dividend per share, revenue growth, EPS, cash flow and profitability are an important determinants of dividend policy in Pakistani's engineering field.

Dividend policy was one of the most discussed subjects and a central corporate finance philosophy that still maintains its popular position. In advanced economies, both investors and management of the company tool a very cautions decision whether to distribute dividends or hold as R/E (Retained Earnings).

As per "Pecking Order Theory" firstly companies choose to use internal finance source, then later debt and lastly equity finance received from stock issues. The more successful and profitable the companies are, the more internal finance they would have, the greater the dividend they will receive. Accordingly, some researchers regard dividend as less significant than capital gains. As company expands, a revenue stream of shareholder also rises; thus, an ideal approach is tough for management to follow. Practically any company will adopt a dividend policy that preserve a proportion of net earnings in such a way that dividend payout will not be challenged.

According to Arif (2011) that study pattern of dividends is relative to business profitability. Those businesses that are more competitive are required to pay more dividends relatives to the less profitable ones. Dividend policy has been one of Financial Management's tremendous topics. This is a financial manager's essential responsibility to implement the firm's dividend strategy which is in the organization's best interests. The aim of this study was to investigate the impact of earnings management on dividend policy. Dividend signaling and equilibrium on the capital market can contribute to solve the dividend puzzle.

Developing a knowledgably dividend policy is a major challenge for finance manager. This strategy would help to raise shareholder trust, and should be in the firm's best interest. Dividend signaling hypothesis claimed that dividend policy gives an indication of the firm's existing performance and its future prediction. The firm's dividend policy demonstrates how much an organization will hold its earnings for future acquisition and investment and to what extent it recognizes its earnings as a dividend. Retained earnings are the amount of finance that a firm could use without having to face competition on the capital market from other companies. Dividend policy represents the degree to which a business can escape investor scrutiny on capital markets. Some of the incompetent managers try to escape their performance reviews by declaring less dividends, thereby withdrawing from outside competition. Incremental dividend is providing an optimistic indicator for the success of the company and its potential cash flows. The high dividend paid companies are heading towards growth and improved productivity.

Shareholder's expectations of receiving dividend often rise as a consequence of an improvement in recorded earnings. Dividend is a huge challenge for executives or directors and they're able to report less earnings. The managers can exploit their earnings to handle regulatory dividend payment restrictions.

2.10.2. Return on Assets (ROA)

According to Agu (2015) the dividend Payout to shareholders, investors are highly contingent on the financial result of businesses. In this study is to assess the impact of Dividend Payout Ratio on the Return on Assets of Nigerian cement companies. Dividend payment is the sum of cash that a firm pays to its shareholders in form of dividend.

The company may agree to return all of income of its investor, shareholder or may retain a portion of it as retained earnings. Taking into consideration the dividend payment in knowledge viewpoint, the signaling theory of dividend recommend that dividend could be used as a tool to transmit financial performance to investors regarding a business. A strategy of high dividend payment

shows more current dividends and fewer retained profit, which may outcome in low growth and potentially lower stock price per share. Policy on low payout means fewer existing dividends; more retained earnings as well as greater capital gains. However, it's possible that some shareholder and investors would prefer high paid firms while the other prefers low paid firms.

Return on Asset is a financial ratio showing a company's percentage of income compared to its total assets. ROA is a primarily profitability metric that calculates the source of revenue a business makes from its assets. This show the potential of organization to achieve income before leverage, rather than utilizing leverage. Return on Asset also referred return on total assets is profitability ratio that calculates the net revenue generated over a period by contrasting net income with total assets. In other term return on assets ratio determines how effectively an organization can leverage its assets over a time to generate income. This ratio is representative of company' relative profitability. A positive Return on Asset (ROA) ratio is generally often interpreted as a trend towards the upward income. This only make sense for a higher ratio to become more attractive to investors as it indicates the firm is handling its assets more efficiently to achieve higher net revenue amounts. In this study result showed that Dividend Payout Ratio has statistically significant with Return on Assets.

This research paper is to evaluate the impact of Dividend Payout on Corporate Profitability in the manufacturing companies. Dividend decision is the procedure adopted by management in making dividend payment decisions or in other term the scale, frequency and pattern of cash returns to shareholders overtime. ROA demonstrates profitability analysis about the assets of an organization which implies how effective management of the firm would use the business assets to produce company's earnings. This offers a clear view of the company's use of assets capered to its supervisor, investors and board of directors' profitability. ROA's basic aim defines the earning of the firm that is generated from the capital invested. Return on Asset of the public ltd company is highly dependent on the market at large. It would be a deeper interpretation of Return on assets as a function of comparison. Essentially, the best interpretation of ROA is to equate it with the previous ROA of the business or to the same organization that operates in same industry. ROA has been one of the general indicators used to determine the overall dimension of the financial situation of the company and it basically calculates the profitability association with respects to the assets. This is one of the most effective instruments comparing businesses within the same sector as different industries utilize assets different i.e. service-based companies like a bank, insurance company would have higher ROA compared to capital-intensive corporations like construction or energy companies or manufacturing firms. The company's efficiency and productivity in achieving the optimum by the use of asset ratio provides a better understanding as to whether the organization is smart enough to enforce cost control or private property management.

The ratio is often used in calculating the rate of ROA's. The study outcomes showed a significant association between dividend payment and corporate profitability in term of ROA, EPS and ROE.

The main purpose of research study is to find out the relationship between dividend policy and performance of company of listed manufacturing firms. The operation of dividend policy becomes one of the most debated topics in the study of corporate finance and still retains its prominent position in both advance and emerging markets. These variables are company performance, return

on equity, return on assets, dividend policy, dividend payout ratio, EPS are considered in this study. The following factors are crucial trends in the amount of dividend paid, present and past earnings, year-to-year earnings volatility, earnings growth and dividends in previous years. The dividend policy affects the efficiency of businesses as determined by their profitability. Dividend policy is the rules and procedures used by a corporation to decide to pay dividends to shareholders and investors. Return on Assets is an important measure that helps to ascertain how efficiently a firm uses its assets. This ration tests the profitability of a firm's overall assets. This calculates the association between net income and total assets.

The goal is to figure out how the management has used the total assets effectively. Net profit is derived from the corporation's statement of income and the estimated net assets are obtained from balance sheet. Dividends are a compensatory allocation of both time and investment costs to equity owners. These distributions are typically net of tax and mandatory debt-capital payments and reflects a reduction of the firm's cash assets.

2.10.3. Return on Equity (ROE)

According to Basit (2016) the aim of the study is to examine the impact of Dividend Policy on Shareholder's Wealth in manufacturing sector. Dividend policy was one of the hardest challenge financial analyst and economist face. It describes the ratio as how much the profit of a corporation will be given to shareholders and how much the corporation will keep for investment determinations. Dividend policy is the process that businesses control when making a decision on dividend payout, including the structure and scale of cash circulation to shareholders over time. Dividend policy manages the central distribution of the company's profits between shareholders' profits from cash and retention dividend.

ROE is an essential measure for any corporation and organizations. The fundamental objective of computing this ratio is to calculate the profitability of corporation with respect to the equity. This determines how much net profit was generated from the money that shareholder was spending in the organization. The ROE will allow firms successfully and efficiently control their own capital resources, i.e. the firm's net worth. Return on Equity indicates the profitability of invested capital, or the development and productivity of companies. ROE has a high effect on profit growth due to trend and design of the investment made by the organization to make productive use of its assets in order to maximize income. In addition, debt-generated capital income may be used by covering the capital cost.

In this article, Company dividend payment decisions are the main component of any corporate strategy and is essentially the shareholders gain in exchange for spending their money in the company.

One of the core aspects of performance appraisal of the company is effective selection and use of effective dividend policy. The objective of this article is to explore the impact of dividend payout in the performance appraisal of quoted cement firm. Dividend has also been adjudicated as the trigger for company financial success. In the actual market environment, the topic of dividend payment is a very significant one and more importantly on the performance appraisal of

companies. Dividend payout is the rules, guidelines and regulations used by a company to determine whether or not it should make dividend payout to shareholders.

Company's dividend payment policies are now the primary aspect in every corporate strategy that is essentially the shareholder gain in exchange for spending their money in the company. The company's dividend payment is not just the source of the investors' cash flow, but it also offers knowledge about the present and potential success of firms. The dividend strategy continues to be one of the most relevant financial policies not only from the company's perspective and even from that of shareholders, costumers, regulatory bodies, workers and government. Wealth of shareholders is slightly affected by revenue growth, profitability improvement, capital allocation initiatives and decisions on capital structure.

Return on Equity (ROE) is the sum of net profit returned as a percentage of equity owned by shareholders. ROE analyses of the profitability of a firm by showing how much income a company earns from the capital shareholders had invested. ROE is appropriate and useful in contrasting a company's productivity to those of other companies in the same market. In this empirical research outcome suggested that Dividend Payout ratio has positive association with all variables.

ROA and ROE, even if they are of crucial concern in evaluating the success of cement firm, implement an adequate dividend policy that would increase the number of shareholder in short and long term; devote sufficient time to developing a dividend policy that would enhance profitability and shareholder company's value and formulate appropriate dividend payout strategies to minimize agency cost and increase the company's value and attract investors.

2.10.4. Debt to Equity Ratio

According to Rehman (2012), this research explores the DPR factors that contribute in Pakistan's large stock exchange. The impact of D/E ratio, Operating cash flow, profitability, M/B value ratio, current ratio and corporate tax on DPR. Dividend Payout has become a controversial topic in corporate finance. Decision on dividend is essential including both investors and enterprise. This is corporate management's decision that which portion of profits must be retained and which proportion should be paid as dividends to shareholders. When taking decisions, the management considers potential investment opportunities to improve future earnings and should these opportunities not be potential, the management will allocate earnings to shareholders.

The conventional view of the dividend decision notes that the amount of cash received as a dividend currently is more important than the cash remaining at a given time. The conventional view is that early dividend payment does not alter the level of corporate risk, but it does alter the investor's understanding of the risk level of a firm, so dividend is more important than retained earnings.

Earnings from the organization can be used to purchase securities or repay debt or this can be allocated in operating assets or such profits can be paid in the form of dividend to shareholders. There are several reasons why dividends are seen as a symbol of the financial stability of the company. Dividend often helps to preserve the share of corporation's stock price. A reduction or discontinuation of dividends will adversely impact businesses with a history of paid stable

dividends. Similarly, businesses that have never remunerated dividends will be viewed favorably when they will distribute dividends. Debt-to-Equity ratio determines how much liability the corporation uses to protect or fund its capital asset compared to the amount of the overall equity of firm.

Companies with a high D/E ratio that ignore the lender for lending the money, since the business already has debt compared to the equity, and borrower may have a chance to postpone or establish a bad payment activity that eventually prevents the lender from lending the money. When debt to equity ratio of the firm is low, this mean the business makes its assets with the aid of equity, and that will also become so risky, because if the business will have some bankruptcy in the future, so that all the money invested by the lender will draw down without impacting the seller, vendor and supplier. It determines and identifies what portion of equity is used to pay the company's debt. It's further mentioned that ratio is used for evaluating and deciding the portion of equity financing or capital as collateral or primary protection for overall corporate debt. The debt-to-equity ratio appears to have a major effect on financial strength of the company, its ability to meet its short- and long-term obligations, and its business availability. This is one of the key variables determining the company's future outcome. The debt will not exceed the owner's personal net worth as it would raise the risk of bankruptcy and the owner will have trouble paying their creditor and losing the goodwill and credibility on the marketplace. The study results showed that profitability, D/E RATIO and M/B value ratios are significant elements of dividend payout ratio.

According to Gill (2010), in this research paper, Debt to Equity Ratio is determined by dividing total liabilities of corporation by its equity to shareholder. The (D/E) ratio is an indicator showing the relative share of equity and debt use to finance the assets of an organization. This financial ratio is referred to as risk, gearing and leverage. Debt to Equity ratio is a liquidity ratio that compares the overall debt of a business with the total capital/equity. The (D/E) ratio indicates the proportion of corporate funding coming from both shareholders and creditors. A high debt to equity ratio suggests more borrower funding (bank loans) than investor financing is used. This ratio is referred to as financial leverage. The debt to equity ratio is major financial indicator and its used as a measure to assess financial standing of an organization. This is also an element of the willingness of a company to pay back its obligation. It is essential to pay attention to debt-to-equity ratio when evaluating a corporation's fitness.

When ratio rises, the company would be funded by investor instead of by its own source of financing which may be a risky phenomenon. In general, investors and lenders offer a lower debt to equity ratio because their interest is better secured in case of a downturn in the company. So, businesses with higher debt-to-equity ratio may not be able to raise extra lending capital.

2.10.5. Current Ratio

According to Sheikh (2018), in this study is to examine the factors of corporate dividend policy of banking sector of Pakistan. DPR is set as dependent variable in this paper. The dividend has played a critical function in communicating the company's financial stability and the interest of its shareholder. Dividend are those cash dividend that the firm periodically pays out of the profit to its shareholder that eventually sent a very powerful and clear message about the firm's mission,

its future success and its ongoing goals. Financial stability of the company determines how its company is able overtime to distribute or pay a steady dividend, and how much they want to increase it. These clues offer good elements about the fundamental of the business.

Dividend policy is essentially the collection of procedures and guidelines as to how the business should pay its shareholder a dividend. As per "Dividend Irrelevance Theory", investors may not be concerned with company's dividend strategy even whenever they want cash then they can quickly sell the portion of their equity portfolios. This suggests that dividend will have little or no effect on stock price. Three primary dividend approaches are: Residual, Stability and Hybrid dividend policies. In this study independent variables are Current Ratio, ROA, ROE, Debt to equity Ratio and Earning per share in this article. Current Ratio is most vital instrument that helps to evaluate the company's financial stability. This simply tests the ability of the corporation to pay the obligations in short term. This also make a rough calculation in order to pay off its existing liabilities, which are typically a result of account payable; and the firm needs to pay to its supplier and distributors and this also require other obligations in the form of cash, account receivable, stock, marketable securities with regard to current assets as well. The outcome of the research that current ratio has significant impact on Dividend Payout Ratio.

According to Fauzia (2018) the objective of this article was to determine the impact of current ratio, D/E ratio and ROA on the payout ratio of dividends. In capital market practice, investors have perception for the investments they help in making, which have been capital gains and dividends. The amount of profits to be distributed as cash dividend to investors and shareholders is known as DPR. Dividend Payout Ratio (DPR) is the number of dividends compared to firm's net revenue or earnings per share (EPS). One category of market value ratios is the DPR. The dividend distribution ratio applies to the percentage of the distributed earnings. This also presents itself as a measure or as a proportion of net profit. The payout ratio for dividends is the sum of cash distributed to shareholders calculated as a proportion of earnings. Current ratio is the ratio of current assets by current liabilities. These shows to what degree existing liabilities are covered by other assets that are supposed to be turned into cash in the foreseeable future. The current ratio is an appropriate and effective measure of liquidity and short-term solvency, subject to certain constraints that must be known to us.

A high current ratio usually implies a strong, secure liquidity position; it may also mean that business has too much old inventory to pay off, and too many old accounts receivable that could turn into bad debts. To a borrower, specifically a short-term creditor like a supplier, the greater the current ratio. High current ratios suggest liquidity to the company but it can also reflect ineffective utilization of cash as well as other short-term assets. DPR is dependent variables in this paper. And independent variables are ROA, Debt to Equity ratio and Current Ratio.

2.10.6. Earnings Per Share (EPS)

Dalyop (2017) states that the current research objective is to evaluate the influence of dividend policy on share valuation in commercial banks. Dividend policy is crucial decision on finance that guides the payout to shareholder a return to their investments. It is necessary that the dividends amount distributed to shareholders and investors reflects directly the company's dividend policy.

A company's dividend policy and strategy dictate what portion of its earnings are distributed by dividend to investors, shareholder and stakeholder and what proportion is replenished in the business for the reinvestment purposes.

Dividend policy of an organization or businesses divides their net earnings in two portions. First is retained earnings and other is dividend. Earnings Per Share (EPS) are calculated as company's revenue divided by the outstanding shares. The resulting figures as a measure of a firm's profitability. EPS also called net profit per share, earning per share is business prospect ratio used to calculate the company's net profit received per share of outstanding stock. EPS is a metric showing that how profitable a firm is also on a shareholder basis. So, income per share of a larger business can be contrasted with the revenue per share of small business. Clearly, how many shares were outstanding is highly affected by this estimate. Therefore, a larger corporation would have to divide its profits into far more shares of stock compared to smaller one. EPS are equivalent to any measure of productivity or business prospects. Higher EPS are often better than lower ratio, so it means that the organization is profitable and the company/ firm has more money to allocate to its investors and shareholders.

Earnings Per Share is the sum of earnings per each outstanding share of a corporation and is determined by calculating current net income on total outstanding shares. It is reflecting corporate capacity to distribute dividend. The EPS of a company is regarded as a significant factor influencing its amount of dividend. That is because businesses are willing and able to pay dividend amounts if businesses increase their productivity, and hence a favorable association is expected between earnings per share of company and its dividend payout.

According to Bhattaria (2014), this research aims to determine the extent of commercial bank's share price. Dividend, net income, operating earnings and book value as variables impacting share prices. Market price of share is set as dependent variable. The stock price change minute by minute as a result of changes in the purchase and selling pressure. Regardless of these variations, it is tough to determine which market price should be regressed as an indicator of variable dependence. In the latest research stock closing price was taken to reflect market price at the end of bank's financial year. Earnings per share (EPS) serve as a measure of the profitability of the firm. The rising earnings per share usually lead to high stock prices.

EPS have a favorable or positive market price association, that is, high earnings per share, high will market price be. The analysis of equity-share price factors has been a topic of great interest these times. In addition, identifying the elements affecting share prices is a topic of immense interest, particularly for a baking sector. The results show that earnings per share and price earnings ratios have significantly positive relationship with share price.

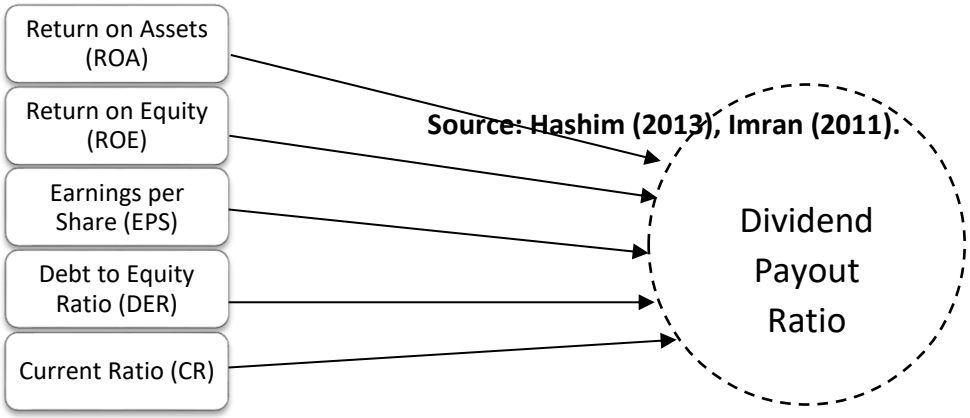
2.11. Theoretical Framework and Variables

The theoretical framework establishes the underlying fundamental principle that helps to determine the determinants of corporate dividends. The Banking Dividend Policy is focused on Bank Earnings, Asset Return and Capital Return (Fama & French, 2011). The shift growth was calculated through the overall assets, where the productivity was assessed as an improvement in

net revenue and asset returns, and equity return. Ibbotson & Chen (2003) states in the analysis that the next exploratory variable is leverage, which measures the overall debt divided by the firm's total equity exposure calculated by beta firms.

Return on assets and return on equity are used as a metric for the firm's profitability. For the leverage; we have the ratio of the company's gross debt to its gross equity.

Figure 1: Conceptual Framework of Research



The basic purpose of this study is to determine the relationship and convergence of the determinants of dividend payments. The effect of dependent and independent variables is also defined in this context. This gives the determinants of dividend policy an idea and understanding of the dividend payout.

It embodies the model of study indicating Dividend Payout Ratio of commercial banks of Karachi Pakistan. Independent variables are Return on Assets (ROA), Return on Equity (ROE), Debt-to-Equity Ratio, Current Ratio and Earning Per Share are indicators of Financial Management. While, Dividend Payout Ratio (DPR) is dependent variable.

3. Research Methodology

The relationship among dividend payout strategy and independent variables was explored by the use of statistical methods. Research Methodology focuses the choices based on the research approaches and the review of the empirical findings of the data obtained from the research subject. The methodology involves Research Design, Testing Protocol, Sampling Strategy, Theoretical Structure, Data Analysis Methods, and Data Processing Software.

3.1. Research Design

The research design offers a transparent and straightforward roadmap to how the work should be performed and offers the comprehensive plan to accomplish the end objective and target. It helps the researcher and reader find clarification about the research methodology and theory and the research approach. This also focuses on the process and methodology of collecting data for analysis (Creswell, 2006).

The study's execution is based upon epistemology. This theory refers to knowledge development that encourages and improves how knowledge is used to explore the new concepts. This epistemology clarifies the phenomena that were eventually understood by the theories and social sciences (Saunders, Levis, & Thomhill, 2011). There have been two types of approaches to research which include the inductive and deductive approach. There are two Study style types, i.e. through qualitative or quantitative. Secondary data research is, in fact, quantitative in nature.

This work is therefore also quantitative in describing the divine return relationship on dividend policy determinants and evaluating it through regression and analysis of correlation. Based on the theory, the deductive method decides the association of determinants (Zikmund, 2012).

In this study, we use 10-year monthly data independent variables are the main factors taken from the Bank's financial statement, and the dependent variable is one of the central measures of the financials of a company, which are also available in the company's financial statement. The process and sources for collecting the data are also based on archival data.

The research design will be used in this research based on Post-Positivism Paradigm with deductive methodology of research. The choices based on research paradigm and research approach are Quantitative research with descriptive analysis techniques and methods for data collection will be the Questionnaire.

3.2. Research Data & Sources of Data Collection

This study, which includes monthly data for the 10 years, is conducted from 2007 to 2017. Dividend policy determinants are based on the financial statement of the corporation and have a major positive or negative association with dividend payment. Set of data accumulated through audited financial banking that provides our desired result with validity and accuracy.

Table 1: Variables and Sources of Data:

Data	Sources
Dividends Payout Ratio (DPR)	Banking Sector (SBP)
Profitability (ROA, ROE, EPS)	Banking Sector (SBP)

Financial Leverage (DER)	Banking Sector (SBP)
Liquidity (Current Ratio)	Banking Sector (SBP)

3.3. Dependent Variable

- ✓ Dividend Payout Ratios:

3.4. Independent Variables

- ✓ Return on Assets
- ✓ Return on Equity
- ✓ Earnings per Share
- ✓ Debt to Equity Ratio
- ✓ Current Ratio

3.5. Econometric Model

The study is carried out by Banks 'panel data from 2007 to 2017 with five explanatory variables including Return on Assets, Return on Equity, Earning Per Share, and Debt to Equity Ratio, and Present Ratio to determine Corporate Banks' Dividends. The Haussmann Test is applied to determine the randomness of the data and, if relevant, based on Chi-Square; the fixed effect model is applied to evaluate the effects on corporate dividends on these variables.

To derives the model:

$$\boldsymbol{Y}=\boldsymbol{B1x1}+\boldsymbol{B2x2}+\boldsymbol{B3x3}+\boldsymbol{B4x4}+\boldsymbol{B5x5}+\in$$

Model of Determinants of Dividend Policy in Banking Sector;

$$\boldsymbol{DD}=\boldsymbol{B1EPS}+\boldsymbol{B2ROA}+\boldsymbol{B3ROE}+\boldsymbol{B4DER}+\boldsymbol{B5CR}+\in$$

3.6. Research Approach

The analysis will be performed by deductive method, as the researcher generalizes the infinite population as particular character by reducing the knowledge and use of a finite sample-based literature.

3.7. Research Strategy

This work carried out using the descriptive method, as the analysis focused on the findings of the quantitative approach describes the relationship between the variables and the study is limited to understanding why not the causes and their impacts.

3.8. Hypothesis Development

Based on the conceptual context, the theory established we evaluate the relationship as well as the effect of Dividends policies on other variables. All Six variables state the relationship between the

individual independent variable and the dependent variable evaluated under correlation test either its positive relationship, negative relationship or have no relation to the variable.

3.8.1. Return on Assets and Dividend Policy

H1: Profitability of Banks (ROA) is significant relationship with dividend payout.

ROA's basic aim defines the earnings of the company that are generated from the capital invested. The ROA of the public limited company is highly dependent upon the industry as a whole. It would be a great definition of ROA as a metric for comparison. ROA's best understanding is essentially to equate it with the previous ROA of the business, or to the same company that operates with in the same industry.

This ratio demonstrates the productivity analysis regarding the assets of a business which implies how effective management of a business will use the assets of the company to produce the company's earnings. This offers the owners, executives, and the company's board of directors a clear understanding of the company's resources uses compared to profitability.

The company's success in achieving the optimum by the use of the ratio of assets provides an indication of whether the company is smart enough to enforce cost control or own property management. The formula is used for calculating the rate of return on the properties. And net income has to be after the interest expenses and taxes are subtracted. The result would be higher, as higher return on investment would eventually deliver the company's best and benefit them.

This is one of the most valuable tools comparing businesses operating in the same sector as different industries use assets differently i.e. service-based businesses like a bank, insurance companies would have higher ROA compared to capital-intensive firms like construction or energy companies or manufacturing firms.

Small firms may perform better than large firms or MNCs when the economic situation is much better, while evaluating that when small firms have poor or worst economic conditions, they appear to have very low output heterogeneity in the same sector and shift to bankruptcy.

3.8.2. Return on Equity and Dividend Policy

H2: Return on Equity is a significant relationship with dividend payout.

The underlying purpose of this formula is to calculate the profitability of a corporation with respect to the equity. This determines how much income was generated from the money that the shareholders were spending in that organization.

The ROE will allow businesses to effectively and efficiently control their own capital resources, i.e. the firm's net worth. Furthermore, it is said that this ratio will calculate the return on investment

made by the investor or the company's shareholders. It indicates that the return on equity is higher than it would eventually support income growth over time. ROE demonstrates the profitability of own spent money, or the development and productivity of companies. ROE has a strong effect on profit growth due to the trend and purpose of the investment that the business has made in order to make optimal use of their assets to maximize income. In addition, the revenue from debt generated by capital can be used to cover the cost of the capital.

It is one of the most useful tools for assessing the competitiveness of a product and for comparison with other companies in the same industry. This shows which one is more successful in turning the cash and then brings such cash into the business to reverse with a greater profit and development of both the company and its investor. The ROE equation says that if its ratio is higher; it shows that the organization is more successful in the activities of the company and is making good use of the funds. There are many ways to assess equity for the shareholder.

Most of the investor's choice is to see the return on common equity of the company only instead of in both the equity, so they used to change the calculation by subtracting the preferred dividend from the net income and subtracting the preferred equity from the equity of the shareholder.

Many investors tend to see their ROE in terms of taking the shareholder's equity average. They take the shareholder's equity at the beginning of the year, which is generally the value of the last year's equity, which has been terminated, and then combine this equity with the equity at the end of the current year and divided by 2 so that the value that comes is actually the average equity of the shareholder. The value of the shareholder's equity is then used in the formula resulting on an average equity basis. Most of the equity of the company is going down but ROE is going upwards.

This shows the company is using the share buyback and writing its own strategy to artificially boost the ROE for the sake of various purposes. Conversely, a high level of debt will raise the ROE as well.

3.8.3. Earnings per Share and Dividend Policy

H3: Earnings per Share are a significant relationship with dividend payout.

Earnings per share are an indicator of how much income an organization has made. Companies generally publish earnings per share on a quarterly or annual basis.

Earnings can cause stock prices to rise and investors make money when they do. If a company has high earnings per share, it means that it has more money available to either reinvest in the business or offer dividend payments to shareholders. The investors win in either scenario.

EPS is the part of a company's income allocated to any single share of the stock. It is a concept of considerable interest to investors and individuals investing in the stock market, the higher an enterprise's earnings per share, and the better its profitability. It is best to use the weighted ratio when calculating the EPS, as the number of outstanding shares that change over time.

3.8.4. Current Ratio and Dividend Policy

H4: Liquidity of firm (Current Ratio) is a significant relationship with dividend payout.

The current ratio is one of the most critical financial stability and health resources the access organization has to offer. In fact, it tests the willingness of the company to meet the short-term obligations. This also requires a rough calculation in order to pay off its current liabilities, which are typically in the form of accounts payable; and the company needs to pay to its suppliers and distributors and it also has other liabilities in the form of cash, marketable securities and inventories with respect to current assets.

3.8.5. Debt to Equity Ratio

H5: Financial Leverage (DER) is a significant relationship with dividend payout.

The ratio shows how much liability the corporation uses to protect or fund its capital asset, compared to the amount of the overall equity of the corporation, Companies with a high debt-to-equity ratio that ignore the lender for lending the money because the business already has debt relative to the equity, so that the borrower may have a chance to postpone or create a bad repayment activity that eventually prevents the lender from lending the money.

It describes and demonstrates from what amount of equity is used to fund the company's debt. It is further stated that the ratio for the overall corporate debt is used to evaluate and determine the proportion of equity capital as collateral or primary security.

Debt-to-equity ratio continues to have a greater effect on the financial flexibility of the firm, its ability to meet its short- and long-term obligation; and its competitiveness in the market. Those are one of the key factors which determine the company's potential outcome. The debt will not surpass the owner's personal net worth, because it will rise the risk of bankruptcy and the owner will find it difficult to pay their creditor and lose the good will on the market.

4. Findings

4.1. Methods for Identification of Stationary

There are three methods for identification of stationary

1. Simple Graph
2. Correlogram
3. Augmented Dicky Fuller test (ADF-Test)

4.1.1. Simple Graph

Simple graph, if there exist any trend like increasing or decreasing, the data said to be non-stationary and if there is no trend visual in simple graph than the series is said to be stationary.

4.1.2. Graph Correlogram

If in Autocorrelation Function graph, we saw a geometrical/systematical decay than series is said to be non-stationary and if we saw no decay then series is converted into stationary.

4.1.3. Unit Root Test (ADF)

Actually, the test was applied based on variance of the variables. From 2008 to 2019 we took the data on an annual basis for Twelve years. The root unit test was tested by processing the Dicky Fuller Augmented i.e. Test to ADF. An Augmented Dickey – Fuller Test (ADF) tests the null hypothesis in statistics and econometrics that a unit root is present in a sample of the time series. Depending on which version of the test is used, the alternative hypothesis is different but is usually stationary or trend-stationary.

This test identifies whether or not the data is stationary. If, when running this test, it generates the problem, it will eventually give the unsatisfactory result and conclude that the data is not static.
If P-Value of ADF-Stat is greater than 0.05 (95% Confidence) so we may accept our null hypothesis and conclude that series is non stationary. If P-Value of ADF-Stat is Less than 0.05 (95% Confidence) so we may Reject our null hypothesis and conclude that series has stationary.

Ho = There is no unit root in the data series (data is stationary).

Table 1: Unit root test ADF:

Variable	At LEVEL	Decision	1st Difference	Decision of Hypothesis
EPS	0.0267	Rejected	0.0021	Rejected
DER	0.2653	Accepted	0.0227	Rejected
ROE	0.5648	Accepted	0.0000	Rejected
ROA	0.5842	Accepted	0.0023	Rejected
CR	0.1294	Accepted	0.0000	Rejected
DPR	0.6751	Accepted	0.1805	Accepted

Unit root test is basically a key feature of some stochastic processes which easily conclude the major problems with time series data in statistical inference. The table above clearly defines that the data is stationary as the table shows that there is no unit root in the data, hence acceptance of the null hypothesis. None of the variables in the data series have the unit root at the initial stage. The null hypothesis is agreed at the level, such statistics were also seen for the unit root's first level verification.

4.2. Descriptive Analysis

The basic aim of the descriptive statistics is to summaries the data given. It is also known as a coefficient of definition. Often this representation can be taken from the population or survey. It can also be categorized under two groups, i.e. central tendency and variability measurements. The central pattern consists of mean, median, and mode. Furthermore, variability tests identify as standard deviations or variances. It also contains minimum and maximum variables, as well as kurtosis and skewness.

Table 2: Descriptive Analysis:

	DPR	DER	CR	EPS	ROA	ROE
Mean	28.33568	1359.208	159.1662	6.845064	2.502529	37.00269
Median	19.59133	1285.293	91.49145	4.280000	1.195045	17.08609
Maximum	322.0191	6147.571	2385.924	23.08000	42.65524	715.8065
Minimum	0.000000	0.000000	0.000000	0.080000	0.000000	0.000000
Std. Dev.	39.58993	705.5734	241.2354	6.400356	4.724790	85.58463
Skewness	3.845435	2.859091	6.024467	1.148230	6.578945	6.379245
Kurtosis	25.88143	18.82889	50.54837	3.218203	52.40836	47.03811
Observations	156	156	156	156	156	156

These descriptive statistics include mean, median, style, standard deviation, kurtosis, or skewedness, and these are the resources that can be easily examined through analysis. It lets the public understand and interpret the data in a more constructive manner.

Central tendency determines the middle location of a normal distribution for a collection of data which has been complied with for research purposes. Data frequency has been instrumental in understanding the data point in the distribution and defining it I with the aid of mean, median, mode. These are one of the basic methods for evaluating the data pattern such that the researcher will be able to infer the data reflecting the correct interpretation of the analysis.

A spread measure is another concept which is used for variability measurements. It does not explain the average data based on the average value if the average number assumed is 10 out of 100. There will also be a possibility that the number ranges from 1 to 100 at both ends. Variability measurement can help to communicate by understanding the shape and distribution of the given data within the range, absolute deviation, and variances and these are all examples of variability measurements.

4.3. Correlation Matrix

A matrix of correlation is a table which shows coefficients of correlation between variables. The correlation between two variables is shown by each cell in the table. A matrix of correlation is used to summarize results, as an input to a more advanced analysis, and as a diagnosis to advanced analysis.

In statistics, the correlation coefficients are used to calculate how deep a relationship between two variables is. There are several forms of coefficient of correlation but Pearson's is the most common. Pearson's correlation (also known as Pearson's R) is a widely used correlation coefficient for linear regression. If you start out in statistics, you will probably find out first about Pearson's R. In reality, whenever someone refers to the coefficient of correlation they normally talk about Pearson's.

Table 3: Correlation Matrix:

	DPR	**EPS**	**ROA**	**ROE**	**DER**
EPS	.225**				
ROA		.093			
ROE			.910**		
DER				.364**	
CR					-.227**

Measures for the connection showing the relationship between the dependent and Independent variables are given in the table above. At a confidence level of 95 percent, the table concludes that there is a significant relationship between earnings per share and dividend payout ratio, Return on Equity and Return on Asset. While figure showing the value of debt-to - equity ratio and current ratio shows that no significant relationship exists between the dividend payout ratio and Current Ratio and dividend payout ratio and debt to equity ratio.

4.3.1. Hypothesis Testing – Correlation Hypothesis

Table 4: Alternative

Hypothesis Alternative Hypothesis	Accepted / Rejected	Significant level (0.05 at two-tailed)
H1: There is a significant relationship between the dividend payout ratio (DPR) and Earnings per share (EPS).	**Accepted**	**0.005**
H2: There is a significant relationship between return on assets (ROA) and dividend payout ratio (DPR) of the Pakistani listed banks.	**Accepted**	**0.058**
H3: There is a significant relationship between the return on equity (ROE) and dividend payout ratio (DPR). Hence hypothesis has been rejected at significance level 0.00 with 95% confidence interval.	**Accepted**	**0.041**
H4: There is no significant relationship between the debt to equity ratio (DER) and dividend payout ratio (DPR) of the Pakistani listed banks.	**Rejected**	**0.130**
H5: There is no significant relationship between the current ratio (CR) and dividend payout ratio (DPR) of the Pakistani listed banks.	**Rejected**	**0.540**

4.4. ANOVA

Ho: All means are equal.
Ha: All means are not equal.

Table 5: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
EPS	Between Groups	5704.302	125	45.634	2.122	.009
	Within Groups	645.203	30	21.507		
	Total	6349.505	155			
ROA	Between Groups	2063.952	125	16.512	.355	1.000
	Within Groups	1396.213	30	46.540		
	Total	3460.165	155			
ROE	Between Groups	557554.752	125	4460.438	.232	1.000
	Within Groups	577778.242	30	19259.275		
	Total	1135332.995	155			
DER	Between Groups	2.679E7	125	214315.089	.128	1.000
	Within Groups	5.037E7	30	1679162.012		
	Total	7.716E7	155			
CR	Between Groups	2315704.433	125	18525.635	.083	1.000
	Within Groups	6704442.326	30	223481.411		
	Total	9020146.759	155			

Interpretation
ANOVA sig value of EPS is 0.009 below is 0.05 so we reject our null hypothesis and conclude that means are not equal but our remaining variables ROA ROE DER and CR sig value is 1 which is above 0.05 so we accept our null hypothesis and conclude that all means are equal.

4.5. Pooled Regression Model

Table 6: Pooled Regression

Dependent Variable: DPR
Method: Panel Least Squares
Date: 09/07/20 Time: 17:25
Sample: 2008 2019
Periods included: 12
Cross-sections included: 13
Total panel (balanced) observations: 156

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.065914	13.33433	0.154932	0.8771
CR	0.019846	0.015858	1.251547	0.2127
EPS	2.387967	0.610113	3.913976	0.0001
DER	0.010275	0.006818	1.506958	0.1339
ROA	-5.350637	2.036362	-2.627547	0.0095
ROE	0.252163	0.114361	2.204973	0.0290

R-squared	0.123417	Mean dependent var	28.33568
Adjusted R-squared	0.094197	S.D. dependent var	39.58993
S.E. of regression	37.67918	Akaike info criterion	10.13380
Sum squared resid	212958.1	Schwarz criterion	10.25110
Log likelihood	-784.4360	Hannan-Quinn criter.	10.18144
F-statistic	4.223787	Durbin-Watson stat	1.524267
Prob(F-statistic)	0.001275		

Standard form:

DPR_t= 2.065914 + 0.019846CR_t + 2.387967EPS_t + 0.010275DER_t + (-5.350637)ROA_t + 0.252163ROE_t

T-stat: (0.154932) (1.251547) (3.913976) (1.506958) (-2.627547) (2.204973)

R-square: 0.12 ; **S.E of regression:** 37.68

Dw-stat: 1.52

Interpretation

1. Since the T-stat of regression coefficient of **CR** is 1.251547, **DER** is 1.506958which is less than the standard value is 2 and regression coefficient of **EPS** is 3.913976, **ROA** is 2.627547 and **ROE** is 2.204973 which is greater than the standard value is 2.
   Therefore, the regression coefficient of CR and DER is statistically insignificant and the regression coefficient of EPS, ROA and ROE is statistically significant.
2. R-squared which measures the goodness of fit test is 0.12 which is less than 1 and also less than the value of bench mark is 0.65.
   Therefore, R-squared is statistically insignificant.
3. DW-stat measures the existence of Autocorrelation in the regression model. In this model DW-stat is 1.52 which is significantly lower than the value of bench marks is 1.65.
   Therefore, in this model the presence of Autocorrelation is verified.
   Overall, the regression model is not statistically significant and not fit for forecasting.

4.6. Models Analysis-1

4.6.1. Hausman Test

Hausman Test's simple philosophy is to run and identify the regressors in the model as it is a reality that if the model has any endogenous regressors it will influence the models' performance. Hausman's specification is yet another Hausman test name. Regression models have a certain unique value which will be compared with the other variables in the method. These repressors can cause ordinary estimators of square tests to fail. One of OLS 'observations are that the association between an error term and a predictor variable does not exist. The substitute of this test, which in this case can be implemented as estimators of instrumental variables. The first step is not to settle on the best effort-based regression approach but to find out the endogenous predictor variables. That's the reason why the Hausman test really matters first. The Hausman test results are presented in our data in Table 6.

Table 7: Results of the Hausman Test:

Correlated Random Effects - Hausman Test
Equation: Untitled
Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	10.212270	5	0.0694

** WARNING: estimated period random effects variance is zero.

Period random effects test comparisons:

Variable	Fixed	Random	Var (Diff.)	Prob.
CR	0.013649	0.019846	0.000017	0.1286
EPS	1.981084	2.387967	0.033499	0.0262
DER	0.004787	0.010275	0.000003	0.0032
ROA	-4.266339	-5.350637	0.278507	0.0399
ROE	0.170176	0.252163	0.001231	0.0195

There is the fact that has been cited in numerous studies that the population being tested by questioners indicates the validity of the analysis, but the outcome and relationship between the variables being correctly measured depends on the sample size and experiments. Relevant research requires unique and audience-centered sample size on which it tests the reliable and desired outcome but which test would run on that sample size is also a very useful tool to define and eventually correct the validity of the finding and give us a more concrete objective of the analysis.

4.6.2. Random Effect

In statistical a method of random effects, also called a model of variance components, is a mathematical model in which the parameters of the model are random variables. ... In econometrics, when one assumes no fixed effects (it allows for individual effects), random effects models are used in panel analysis of hierarchical or panel results Since we estimated the fixed effects directly, including the intercept of the fixed effect, random effect complements are modeled as deviations from the fixed effect, so they have mean zero. The random effects are just deviations in β, which is the mean, around the value. Thus, the variance is what is left to estimate. Random Effect Models assume that Effect Sizes are estimates of their own true Effect Sizes, spread around the average true Effect, where variance is attributable to both sampling error and 'real' between study variances.

Table 8: Random Effect Model:

Dependent Variable: DPR
Method: Panel EGLS (Period random effects)
Date: 09/07/20 Time: 13:25
Sample: 2008 2019
Periods included: 12
Cross-sections included: 13
Total panel (balanced) observations: 156
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.065914	13.24288	0.156002	0.8762
CR	0.019846	0.015749	1.260189	0.2096
EPS	2.387967	0.605929	3.941004	0.0001
DER	0.010275	0.006771	1.517364	0.1313
ROA	-5.350637	2.022396	-2.645692	0.0090
ROE	0.252163	0.113577	2.220200	0.0279

4.6.3. Fixed Effect Method

A fixed model show is a realistic model, in which the parameters of the model are either non-random or fixed. This is rather than mixed models and models of explanatory variables, in which all or part of the parameters of the model are called abnormal variables.

The fixed-effect model referred to as a regression model in which group or related concern is on a fixed basis, while the random-effect model is the model in which group describes the entire population as a random sample. Research findings indicate that the variable affects the dividend payout ratio substantially. Earnings per share are one of the most important instruments in the model, since it provides an understanding of the company's performance whether or not the earnings impact the company's profits.

Table 9: Fixed Effect Model:

Dependent Variable: DPR
Method: Panel Least Squares
Date: 09/07/20 Time: 13:28
Sample: 2008 2019
Periods included: 12
Cross-sections included: 13
Total panel (balanced) observations: 156

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.54938	13.72762	0.914170	0.3622
CR	0.013649	0.016268	0.838981	0.4029
EPS	1.981084	0.632968	3.129833	0.0021
DER	0.004787	0.007022	0.681653	0.4966
ROA	-4.266339	2.090118	-2.041195	0.0431
ROE	0.170176	0.118874	1.431563	0.1545

Effects Specification

Period fixed (dummy variables)			
R-squared	0.198803	Mean dependent var	28.33568
Adjusted R-squared	0.106579	S.D. dependent var	39.58993
S.E. of regression	37.42078	Akaike info criterion	10.18490
Sum squared resid	194643.7	Schwarz criterion	10.51725
Log likelihood	-777.4219	Hannan-Quinn criter.	10.31988
F-statistic	2.155651	Durbin-Watson stat	1.492291
Prob(F-statistic)	0.009094		

Table 9: Model Summery Pakistan Listed Banks:

Statistics	Values
R Square	0.198803
Adjusted R2	0.106579
F-statistic	2.155651
Prob (F-Statistic)	0.009094
Durbin Watson stat	1.492291

The figure R square shows the value of 0.198803 that describe the significant relationship of divided payout ratio with the numerous variables. These are limited to Pakistan banking industry of top 13 banks. Furthermore, the F-statistics is 2.155651 at 0.00 level of significance. The model shows the significant result that is relevant to the research objective and gives an idea of whether the dependent variable has an impact on independent variables.

5. Conclusion

There are different functions that are played to define the dividend payout ratio relationship on various economic variables. The findings showed a strong relationship between EPS, ROA, ROE and CR. DER on-Income Dividend Ratio. The analysis was restricted to the banks which were listed. The data took the FY08 to FY19. In our analysis, we took the data from 13 listed Pakistani banks to get the desired result. The research emphasizes the bank's earnings so it helps determine the dividend payout ratio relationship. In practical and academic study, let's define the relationship of all variables, we came to the conclusion that if EPS increases then profitability also increases, which means that the company is more likely to give its shareholders a dividend which shows the which trend of the EPS and vice versa, this research also concludes the same aspect by showing a significant relationship with the dividend payout ratio. Return on assets on the other hand indicates negative effects on the dividend payout ratio.

In fact, it also defines the asset as not having a direct relationship with the dividend payout ratio, because if the assets rise, it does not mean that the dividend will be paid by the company. Assets can expand in a number of ways. For instance, if the inventory increases due to the large demand from the customer then the total asset will ultimately surely increase. The income statement variable has a direct effect on the payout ratio of dividends, rather than the balance sheet variable as defined in the example above. On the opposite, C.R also indicates a constructive relationship as it also basically opposes the relationship even if the payout ratio of dividends increases, it means company gains liquidity in terms of increasing cash and will also impact current assets in the balance sheet segment so that a positive relationship between the dividend payout ratio and the current ratio can be seen. In addition, return on equity shows a significant relationship because if net profit ultimately increases the capital will also increase in terms of gaining the shareholder profitability.

Furthermore, company will also keep the money for the purpose of re-investing in the business in order to fulfill the long-term financial goals in the head of retained earnings which will also improve the equity side of the balance sheet and will surely increase the equity return. The debt-to - equity ratio shows the positive relationship with the dividend payout ratio, as the optimal debt-to - equity condition should be less than 1 and will result in an increase in equity rather than debt hand. In addition, equity would grow if the company's net profit rises, allowing the company to increase its equity portion through retained earnings and a rise in shareholder capital. Ultimately, the debt would reduce as the interest rate goes down. This will also result in a jump in net profit. By applying the unit root test, descriptive, correlation method, and Hausman test, the result of these variables is obtained.

The analysis assists the investor in providing the necessary advice on the investment they will make in the future. It helps predict the financials of the company and determine whether to invest in obtaining the maximum return or wait for the period until the investment in the company is in an appropriate position. This study would also assist undergraduate students in exploring the new definition of multiple microeconomic measures to better understand them. It also directs the internal employees of the organization to execute the latest plan to promote the best opportunity and development of the business. The report also helps the brokerage firms and the investment analyst as it provides the latest facts and figures that will be used to interpret and predict future decisions on business analytics and management.

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