Capital Structure And Dividend Policy

Dividends are important for the shareholders as well as for the managers of the company.In a firm dividend decision affects the capital structure of a firm. Presence of debt in the capital structure of a firm restricts the firm in certain areas and these restrictions sometimes compel the companies to go for the omission of dividends or to set a lower dividend payout ratio. Lower dividend payout refers to the higher retained earnings, higher liquidity and lesser chances of getting into more debt. This study aims to find the relationship and impact of financial leverage on the dividend policy of the firms in the Chemical and Pharmaceutical Sector and the Fuel and Energy Sector listed at Karachi Stock Exchange (Pakistan). The results of the study revealed that Fuel and Energy Sector is more indebted than the Chemical and Pharmaceutical Sector and the financial leverage has a negative relationship with the dividend payout ratio of the firms.

It is evident that companies have been found deficient in expectations and benchmarks of the various stock exchange authorities, thus being delisted from the stock exchanges . Consequently, the delisted companies have been found majorly dogged with financial quagmires. The author cross examines capital structure compositions and their link to the dividend pay outs. He explores stakeholders motivation and investment in quoted companies. Therefore, as a mainstay for companies to remain listed a good dividend policy must cater for stakeholders interests both in short term and in the long term. Reading the book Will give more insight and techniques of striking a balance between stock market requirements and stakeholders expectation

The economic reforms in Jordan during the last two decades have highlighted and promoted the role that non-financial firms play within the Jordanian economy. The ability of firms to play this role is in major part determined by the structure of the financial system in which they operate, and in particular whether this financial system is able to make capital available efficiently to those firms that need it. Whether this is the case can be investigated by analysing the impact of firm characteristics on some of the most important financial decisions taken by these firms, and how these decisions are influenced by the presence of market imperfections. The thesis examines the relation between the financing and investment decisions, where the effect of financial constraints on the firm's investment decision is investigated. In particular, this thesis focuses on how financial constraints affect different firms by investigating the extent to which the reliance on internal cash flow is affected by firm characteristics such as size, age, dividend payout ratio, and market listing. We find that Jordanian firms are financially constrained, but that these constraints do not appear to be related to firm characteristics. Further, results show that Jordanian firms use debt rather than equity to finance their investment. The second empirical chapter focuses on the main determinants of firms' capital structure. Here the results show that Jordanian firms follow the pecking order theory, where profitability and liquidity have a negative impact on the level of debt. Size and market to book value have a positive impact, supporting the view that there are significant constraints on debt financing since indicators of the financial health of the firms affect their capital structure ratio. There is also evidence that ownership structure affects the firm's access to debt. The final empirical chapter examines the impact of firm characteristics on dividend policy, and shows that profitability and market to book value have a positive impact on dividend policy, implying that firms with better access to capital or credit pay dividends. This implies that firms retain earnings in order to ensure that they have sufficient capital to invest, confirming the initial result that Jordanian firms are financially constrained. There is also evidence of the impact of ownership structure, consistent with the predictions of agency cost theory, while institutional investors appear to follow the prudent-man restrictions, being positively associated with firms that pay dividends. This thesis confirms the presence of market imperfections that have a significant influence on the financial decisions taken by Jordanian firms. The consistent evidence of the importance of retained earnings shows that these firms face substantial constraints in terms of their access to external funds, despite the reforms to the Jordanian financial system over the last two decades.

For the introductory finance course-undergraduate corporate finance or financial management-required at all undergraduate business schools. Get the picture and develop a fundamental understanding of finance. Students often miss the big picture, viewing finance as a set of unrelated topics, tools, and techniques. In order to help students see the big picture, this text provides an introduction to financial decision-making that links the concepts to five key principles of finance. Authors Arthur J. Keown, John D. Martin, and Sheridan Titman have incorporated significant revisions that weave currency, relevance, and real-world issues into the pages of this well-know finance text.

This paper considers the impact of dividend imputation on dividend policy and capital structure in New Zealand.

Seminar paper from the year 2018 in the subject Business economics - Investment and Finance, , course: Corporate Finance, language: English, abstract: This report is prepared with an intention to make capital structure and dividend policy analysis of the assigned two firms which are FU-WANG food limited and Rangpur dairy and food limited who are the participants of food and allied sectors. In an effort to performed capital structure and dividend policy analysis the paper first consider a general overview of the food and allied sector based on some information and analysing the Porter's five competitive factors model. After that this report demonstrates company overview for both the selected firm. The company overview generally contains some basic information of the selected firms and briefly discusses the corporate goals of the firms. Then the capital structure analysis has been conducted based on the stock variable, flow variable and flow concept. Summarizing the result is like that - Under stock concept FU-WANG food has higher financial debt, D/E and financial leverage than those of Rangpur dairy. It indicates FU-WANG food is carrying more debt in its capital than Rangpur dairy. Under flow concept Rangpur dairy has greater cash flow coverage and interest coverage ratio whereas debt service coverage ratio is higher for FI-WANG food. Based on the checklist it has been found that tangibility is higher for Rangpur dairy. But in case of rest of the factors which are profitability (measured in both return on asset and return on operating asset), growth rate, financial slack and uncertainty of operating income is higher for FU-WANG food. This report also performed five factors extended DuPont analysis that reveals FU-WANG food has substantial higher return on equity than that of Rangpur dairy. This result occurs mainly due to the higher interest burden and financial leverage of the firm. In the analysis of dividend policy this report also demonstrates the trends of the earnings per share, dividend pay-out for the last five years. It has revealed that both of the firm is following residual dividend policy. In this policy investment is the major priority. If any amount of residual cash is available to the firm after making investment then the firm will distribute cash dividend. Both of the firms are not paying any cash dividend during the last five years so that it can be understood that the firms have no residual amount of cash is available to them after making investment to distribute cash dividend.

Corporate Finance: A Simple Introduction provides an accessible guide to the principles and methods of corporate finance, with equations and examples, empirical evidence, and diagrams to illustrate the analysis. Examine the traditional theory of optimal debt and equity financing, how Modigliani and Miller’s theory on capital structure differs, and the impact corporate and personal taxes or market imperfections may have on the optimal capital structure. Understand dividend irrelevance theory, the factors driving the dividend decision, and why companies may prefer share repurchases to paying dividends. Explore option theory with long and short calls and puts explained, and the Black-Scholes option pricing model and the factors affecting it detailed. See the variety of ways traders may use options, as speculators make profits betting on price movements, hedgers eliminate risk, and arbitrageurs may make risk-free profits exploiting undervalued options. Look at why companies seek mergers & acquisitions, the merger process they undertake, how a firm can improve its chances of making an acquisition, and some takeover defences for resistant firms. Empirical evidence on merger performance is presented, and alternative explanations examined.

This thesis aims to add empirical evidence to the corporate finance literature by looking at two main financing issues, namely firms payout policies and capital structure decisions, in the context of emerging markets. The thesis consists of seven chapters, including five main standalone research papers. After an introductory chapter, the first research paper reviews the existing literature on the dividend policy controversy with an emphasis on recent empirical work. The following two chapters consist of two research papers which look separately at the dividend and capital structure decisions of firms in India and in Mauritius. In the second research paper an agency model of dividend policy is estimated and tested on a sample of Indian firms using Weighted Least Squares methodology. The third research paper applies panel data procedures to estimate and test a model of the determinants of leverage, using the entire population of non-financial quoted firms in Mauritius. The last two empirical papers investigate how affiliation with an Indian Business House impacts on the dividend and capital structure decisions of firms. The impact of group-affiliation on the payout decision is tested by Maximum Likelihood qualitative and limited dependent variable techniques. The analysis of the impact of group-affiliation on the capital structure decision is conducted using Ordinary Least Squares methods and incorporates group-level characteristics as explanatory variables. While the main findings of these papers are on the whole consistent with the theory, there are new major insights that represent the special case of emerging markets. These main insights, as well as the main conclusions of the study, are summarised in Chapter 7, including some promising ideas for future research.

A Review of Taxes and Corporate Finance investigates the consequences of taxation on corporate finance focusing on how taxes affect corporate policies and firm value. A common theme is that tax rules affect corporate incentives and decisions. A second emphasis is on research that describes how taxes affect costs and benefits. A Review of Taxes and Corporate Finance explores the multiple avenues for taxes to affect corporate decisions including capital structure decisions, organizational form and restructurings, payout policy, compensation policy, risk management, and the use of tax shelters. The author provides a theoretical framework, empirical predictions, and empirical evidence for each of these areas. Each section concludes with a discussion of unanswered questions and possible avenues for future research. A Review of Taxes and Corporate Finance is valuable reading for researchers and professionals in corporate finance, corporate governance, public finance and tax policy.

Corporate finance is a complex field composed of a broad variety of sub-disciplines, each involving a specific skill set and nuanced body of knowledge. This text is designed to give you an intuitive understanding of the fundamentals to provide a solid foundation for more advanced study.

Designed for those who want to gain an understanding of the fundamental concepts and techniques used in financial management. An underlying premise of the book is that the objective of the firm is to maximize value or wealth. Drawing on a wealth of experience in the academic and professional worlds, the authors discuss how firms can accomplish this objective by making appropriate investment and financing decisions. Bridging the gap between financial theory and practice, the authors present fundamental concepts in an intuitive and nontechnical way, and provide numerous practical financial tips to readers. The focus is on current practice, using results from recent surveys to show the most popular techniques and approaches used by financial managers today. A range of instructor's resources are available at the accompanying website. Visit www.blackwellpublishing.com/baker for full details.

Corporations earn incomes and amass wealth. There are many books offering advice how to increase the profitability of corporations by achieving excellence in operations and choosing the correct strategic path. Increasing Shareholder Value: Distribution Policy, A Corporate Finance Challenge is concerned with how the corporation should reward its shareholders after the incomes are earned. Investment decisions, capital structure, and dividend policy must be coordinated so that the well being of the firm's stockholders is considered in the planning process. The corporate planners should realize that the individual investors are also making plans, and the corporation can assist this planning process by making its own financial plans and strategies well known.

Corporate Finance Formulas: A Simple Introduction includes over 75 formulas in the field of corporate finance, alongside relevant definitions and explanations. The formulas cover the topics of return and risk, cost of equity, cost of capital, capital structure, payout policy, valuation, and mergers.

This papers analyses the effect of investor level taxes, company ownership structure and dividend payout policy on a company's capital structure choice. The analysis is based on data for 10,003 companies from 11 Central and Eastern European (CEE) countries over the period 2002-2012. The results show a positive impact from the net tax benefit of debt on the debt ratio of a company.

Abstract.

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Widely regarded as one of the founders of modern corporate finance, Merton H. Miller was awarded a Nobel Prize in 1990 for his work in the theory of finance and financial economics. Selected Works of Merton H. Miller gathers together in two volumes a selection of Miller's most influential contributions over more than fifty years of active research. A common theme running throughout both volumes is Miller's conviction about the utility of market-based approaches to topics as diverse as dividend policy, bank regulation, the structure of securities markets, and competition between research universities and teaching colleges. Miller was perhaps best known for a series of highly influential papers he cowrote in the 1950s and 1960s with fellow Nobel laureate Franco Modigliani that advanced a set of capital structure theorems later dubbed the "M and M propositions." In brief, the M and M propositions state that the actions of investors, firms, and capital markets will cause the market value of a firm to be independent of its capital structure. In other words, a corporation's value depends on its investments in people, ideas, and physical capital goods and not on the mix of bonds, stocks, and other securities used to finance the investments. Four of these papers are reprinted here, together with important later work by Miller in macroeconomics, corporate capital structure, management science, asset pricing, and the economic and regulatory problems of the financial services industry. Diverse and innovative, the papers in Selected Works of Merton H. Miller will interest students and practitioners of economics, finance, and business, as well as policymakers responsible for market regulation.

Financial Constraints, Capital Structure and Dividend PolicyEvidence from Jordan

Project Report from the year 2014 in the subject Business economics - General, grade: A, , language: English, abstract: In this study we elaborate the effects of corporate governance practices which recently practiced in Pakistani firms and also examine the relationship among corporate governance mechanisms, capital structure, dividend policy and firm performance.

Those researchers who could not find significant link between corporate governance and firm performance suggest that good corporate governance has at least indirect effect on performance. This research attempts to prove that corporate governance effects firm performance directly; relatively it exerts its effects on firm performance through other factors such as capital structure decisions and dividend policy. This research study develops a multilevel model linking corporate governance, capital structure, dividend policy and firm performance then proves it through structural equation modeling (SEM). Corporate governance has been measured and conceptualized through Board Size, Board Composition, CEO Duality, Audit Committee Size and Annual General Meetings. Capital structure has been measured through it standardized proxy that is debt to equity ratio, while dividend policy is measured by dividend payout ratio. Firm performance has measured by two ratios return on assets (ROA) and return on equity (ROE) both are used as accounting and financial measure in the literature review.

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The book that fills the practitioner need for a distillation ofthe most important tools and concepts of corporate finance In today's competitive business environment, companies must findinnovative ways to enable rapid and sustainable growth not just tosurvive, but to thrive. Corporate Finance: A PracticalApproach is designed to help financial analysts, executives,and investors achieve this goal with a practice-orienteddistillation of the most important tools and concepts of corporatefinance. Updated for a post-financial crisis environment, the SecondEdition provides coverage of the most important issuessurrounding modern corporate finance for the new globaleconomy: Preserves the hallmark conciseness of the first edition whileoffering expanded coverage of key topics including dividend policy,share repurchases, and capital structure Current, real-world examples are integrated throughout the bookto provide the reader with a concrete understanding of criticalbusiness growth concepts Explanations and examples are rigorous and global, but makeminimal use of mathematics Each chapter presents learning objectives which highlight keymaterial, helping the reader glean the most effective businessadvice possible Written by the experts at CFA Institute, the world's largestassociation of professional investment managers Created for current and aspiring financial professionals andinvestors alike, Corporate Finance focuses on the knowledge,skills, and abilities necessary to succeed in today's globalcorporate world.