Capital Structure And Dividend Policy

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Corporate Financial Decisions and Market Value Springer Science & Business Media
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.
Capital Structure and Dividend Policy in a Personal Tax Free Environment LAP Lambert Academic Publishing
This study is basically undertaken so as to investigate the independent variables on which the dependent variable i.e. the "Dividend Payout Ratio" depends upon for the firms belonging to the Indian Iron and Steel Industry. Multiple Regression Analysis has been carried out taking "Dividend Payout Ratio" as dependent variables and seven variables namely "Business Risk", "Size of the Firm", "Growth Rate", "Earning Rate ", "Financial Leverage", "Debt Service Capacity" and "Degree of Operating Leverage", as independent variables. The above independent variables influencing the Capital Structure Decisions of a firm has been taken into consideration after a thorough literature review. It is observed from the study that "Size of the Firm" and "Debt Service Capacity Ratio" are statistically significant to have an influence on Dividend Payout Ratio during the period under study. The result of the study has been validated by Factor Analysis approach.
Shareholder Reward and its Impact on Capital Structure and Dividend Policy LAP Lambert Academic Publishing
An introduction to modern finance designed for students with strong quantitative skills.
Capital Structure and Dividend Policy Cambridge University Press
The study is aimed at exploring the relationship between dividend payout and capital structure, and to explore the determinants of dividend policy and capital structure of manufacturing sector of Pakistan. Penal data ranging from 2006 to 2011 of selected 100 manufacturing firms of Pakistan is used in this study. Dividend policy and capital structure have their own determinants. Firm's size, profitability, liquidity, growth opportunities, tangibility and capital structure are used as determinants of dividend policy, while determinants of capital structure which are used in this study are firm's size, profitability, liquidity, growth opportunities, tangibility, tax saving other than debt and income variability and dividend payout. Two stages least square is used for estimation. Size, profitability, liquidity and leverage are found to have a positive significant impact on dividend policy whereas growth opportunities is found to have a negative significant impact on dividend policy and tangibility has no impact. On the other hand growth

opportunities, tangibility and income variability are found to have positive significant relationship with leverage (capital structure), whereas firm's Size, profitability, liquidity and tax saving other than debt are found to have negative significant relationship with leverage. This study concludes that dividend policy and capital structure are positively correlated with each other.

Finance CHANGDER OUTLINE

The Study collects panel data of listed firms in New York Stock and Shanghai Stock Exchanges during 1992 to 2008. The data are used to perform panel regression estimates for firms in each stock market. The main purpose is to compare the decision on dividend payout of listed firms in the two stock markets. The results from fixed effect estimates show that factors that can explain dividend payout of firms in New York Stock Exchange poorly explain dividend payout of firms in Shanghai Stock Exchange. This paper adds to the literature in that it provides an evidence of difference in dividend policy of firms between advanced and emerging stock markets. For policymakers in the Chinese economy, implementation of measures to enhance the advancement of bond market is necessary. Additionally, firms in Shanghai Stock Exchange should adjust their capital structure to provide room for investors to diversify and adjust their portfolios of stocks and bonds.

Dynamic Optimal Risk Management and Dividend Policy Under Optimal Capital Structure and Maturity Nida Yayıncılık

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

A Mathematical Programming Approach to Capital Structure Planning and Divident Policy Springer Science & Business Media

In this paper we report the results from a survey among all publicly listed Nordic firms on their policy decisions concerning their capital structure. We find that more than 60 percent of the companies have rather or relatively flexible debt target, whereas a strict target or no target at all is approximately equally common. We also study the determinants for the strictness of the debt target, and find support for both firm characteristics as well as behavioral variables. We also study the link between capital structure policy and dividend policy, and find that dividend paying firms - firms with a definite dividend policy are more likely to have a stricter debt target. These results indicate that more research should be done on the joint setting of capital structure and dividend policies.

On the Interaction Among Corporate Risk Management, Dividend Policy and Capital Structure GRIN Verlag

We develop a valuation model that integrates corporate capital structure and dividend payout policies. The resulting extended Miller (1977) model explicitly incorporates the different tax rates on corporate income, personal interest, dividends, and capital gains. We apply the model to ten different U.S. tax regimes since 1979 and generate several testable predictions. When the dividend tax rate exceeds the capital gains tax rate, dividend payout can partially offset value enhancing effects of leverage. When the two rates are close, dividend payout loses its moderating influence. Using the Samp;P 1500 universe, we obtain empirical results that are consistent with the model's predictions.

Capital Structure, Ownership Structure, and Dividend Policy

Introduction In today’s finance literature, the main goal of company owners and managers is to maximize the market value of their companies. There are three main decisions that determine the value of companies. These decisions (Akgüç, 2010: 5); • Investment decisions, • Financing decisions, • Dividend policy decisions. When making decisions regarding the company’s investment, financing and dividend distribution, the financial manager must investigate which decision will maximize the company value and implement it. Dividend policy includes decisions about how much of the company’s profit earned at the end of the year will be distributed to shareholders as dividends and how much will not be distributed and left within the company. Investors prefer to invest their savings in stocks that will provide regular and high dividend yields. However, expecting the company to pay high dividends and expecting it to grow are two conflicting goals. A company that distributes high dividends will do less self-financing. The dividend policy determined by company managers should not hinder the growth of the company and should also meet the dividend expectations of the shareholders (Demirel, 2014: 93). Investors will prefer to invest their savings in the stocks of companies that pay stable dividends. If companies pay dividends consistently, investors will perceive the company as being in good shape. This study aims to determine whether companies announcing to the public that they will pay dividends will cause abnormal returns in the stocks of the relevant companies. In other words, the impact of companies’ decision to distribute dividends on the value of the relevant companies was investigated. According to the efficient markets hypothesis, in semi-strong form efficient markets, firms cannot obtain abnormal returns on their stocks with any information they disclose to the public. With this study, it will be determined how the company value is affected when companies’ dividend distribution decisions are announced to the public. Moreover, it will be revealed to what extent the capital market in Turkey is effective in semi-strong form.

Effects of Capital Structure and Dividend Policy Decision on Corporate Performance:

We present an integrated theory of capital structure and dividend policy in which both financial policy choices are driven by the same underlying factors and jointly determined as implicit governance mechanisms to allocate control over real (project choice) decisions between managers and investors. At one extreme is a very highly levered firm with very little equity. Such a firm puts the maximum control over project choice in the hands of investors. At the other extreme is an all-equity firm that pays no dividends. Such a firm puts maximum control in the hands of the manager. Between these two extremes is a continuum of control allocations determined by different debt-equity ratios and different dividend payout ratios. Higher debt-equity ratios and higher dividend payouts lead to greater investor control. Despite the absence of agency or asymmetric information problems, control matters because of a divergence of beliefs between the manager and investors that could lead to disagreement over the value-maximizing project choice. The extent of the potential disagreement depends upon the firm's prior performance. The manager sets the firm's dividend policy and capital structure to optimally trade off the value he attaches to being in control of project choice against the decline in stock price from taking control away from investors. We generate testable predictions from the theory and then test them empirically. These tests provide strong support for the theory.

Capital Structure and Dividend Policy: Evidence from Emerging Markets

This study critically surveyed the literature on capital structure decisions and dividend policies in the context of quoted firms in order to identify the leading theoretical and empirical issues in this area. The thesis main aim was to add empirical evidence to the corporate finance literature by looking at the two main financing issues namely firms' payout policies and capital structure decisions. The first theoretical component of the survey attempted to evaluate the two competing theories of capital structure with the purpose of finding the best empirical explanation for corporate financing choice of a cross section of 27 Nigerian quoted companies. A model was developed to represent the static trade-off and the pecking order theory of Myers and Majluf as used in the work of De Medeiros and Daher (2004) and Eboh (2004). By using ordinary least square, we aimed at establishing which of the two theories has the best explanatory power for Nigerian firms. Data pertaining to 1996 through 2006 were used. The result of our estimation shows that both of them appear to give good description of the financing policies of those firms for the period under review.

A Study of Capital Structure and Dividend Policy Determinants in Multinational and Domestic Corporations

The objective of this case is to make students realize the implications of various methods of shareholder rewarding available to a corporation. The corporation has to weigh the consequence of each alternative in context of expected sustainability of future earnings and their growth. The case discussion may center on corporate finance issues, agency issues, and ownership issues. EVA analysis adds rigor to the student understanding of income and cost of capital estimation.Hindustan Lever Limite (HLL) is a 51% owned subsidiary of Unolever (U.K.) and is listed on the Mumbai (Bombay) Stock Exchange. It recently announced a bonus debenture issue in the ratio of one debenture for every share held. the debentures will be redeemed in three years and bear interest rate of 9% per annum. The issue has wide implications on capital structure, dividend policy, and managerial incentives.

Capital Structure and Dividend Policy Issues in Corporate Finance

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

<u>Dividend Policy and Capital Structure</u>

THE DIVIDEND POLICY MCQ (MULTIPLE CHOICE QUESTIONS) SERVES AS A VALUABLE RESOURCE FOR INDIVIDUALS AIMING TO DEEPEN THEIR UNDERSTANDING OF VARIOUS COMPETITIVE EXAMS, CLASS TESTS, QUIZ COMPETITIONS, AND SIMILAR ASSESSMENTS. WITH ITS EXTENSIVE COLLECTION OF MCQS, THIS BOOK EMPOWERS YOU TO ASSESS YOUR GRASP OF THE SUBJECT MATTER AND YOUR PROFICIENCY LEVEL. BY ENGAGING WITH THESE MULTIPLE-CHOICE QUESTIONS, YOU CAN IMPROVE YOUR KNOWLEDGE OF THE SUBJECT, IDENTIFY AREAS FOR IMPROVEMENT, AND LAY A SOLID FOUNDATION. DIVE INTO THE DIVIDEND POLICY MCQ TO EXPAND YOUR DIVIDEND POLICY KNOWLEDGE AND EXCEL IN QUIZ COMPETITIONS, ACADEMIC STUDIES, OR PROFESSIONAL ENDEAVORS. THE ANSWERS TO THE QUESTIONS ARE PROVIDED AT THE END OF EACH PAGE, MAKING IT EASY FOR PARTICIPANTS TO VERIFY THEIR ANSWERS AND PREPARE EFFECTIVELY.

<u>The Interaction of Corporate Dividend Policy and Capital Structure Decisions Under Differential Tax Regimes</u>

How do managers of a firm choose between alternative finan cial policies? Can the choice of a particular financial policy affect the value of the firm? Since the early 1960s, the debate on these questions has been lively and interesting as economists have inves tigated the effect on the value of the firm of relaxing the various assumptions in the celebrated Modigliani-Miller theory. Further more, even if we stick to the MM-assumptions (that is, we assume perfect and complete capital markets, no taxes and symmetric information), and we therefore know that only optimally chosen investments determine firm's value, another interesting question arises: How does the structure of ownership affect investment de cisions (and, in turn, values)? This research monograph attempts to analyze some of the issues involved in this debate. It belongs to the area of mathematical economics and is intended to appeal to mathematical economists as well as economists and mathemati cians. It is meant to deal with economically relevant problems in a mathematically adequate way. To decide whether or not it succeeds in this task, it is up to the reader. I am greatly indebted to Dr. Margaret Bray for her supervi sion of my PhD thesis in Economics at the London School of Eco nomics from which this book resulted. She helped me as friend and adviser through many struggles in the last three years and invested a great amount of work in this thesis.

DIVIDEND POLICY

Abstract.

Essays on Capital Structure and Dividend Policies

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.

Increasing Shareholder Value

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.

Essays on Capital Structure and Dividend Policy

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.

Capital Structure and Dividend Policy Issues in Corporate Finance

This study primarily investigates the impact of ownership structure on capital structure and dividend policy in Pakistan. Data is drawn from 50 non-financial companies included in KSE 100 Index for the period 2006 to 2014. In this study leverage and dividend payout are used as dependent variables, while managerial ownership and institutional ownership are explanatory variables. Profitability, sales growth and size of firm are used as control variables. Results of this study reveal that institutional ownership has significant and negative impact on capital structure but significant and positive impact on dividend payout ratio. On the other hand results suggest that managerial ownership negatively affects dividend payout ratio. Moreover results reveal that both of these strategic decisions affect each other negatively.Most of the researchers in Pakistan analyzed the impact of ownership structure on these two strategic decisions separately. But in this study, an advanced empirical technique - two stage least square (2SLS) - is used to find out the impact of ownership structure on both of these strategic decisions (Capital structure and Dividend policy). This technique also helps to determine the two-way relationship between these two strategic decisions.