

## Factors Determining the Dividend Policy of a Company

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### ***Abstract***

*The objective of this paper is to analyse the factors which determine the dividend policy for companies in India. The author has identified a set of 16 factors which may impact the dividend decision based on prior works in the area and based on theoretical framework on dividend policy. The dataset is from the BSE 500 companies, which represent a fair share of the market. The methodology applied is principal component analysis. Bartlett Test and KMO test are done to check the suitability of data for factor analysis and then further factor analysis have been done. The factor analysis reduces the sixteen variable to seven. These factors are then regressed to the dividend payout ratio to find out the relation between dividend payout ratio and the regressed factors. The major findings of the study are that the relationship of performance, ownership structure and Investments and dividend policy are not found to be consistent with the existing literature while liquidity, shareholders' funds or the net worth, growth and tax behaviour are found to be consistent with the previous studies.*

**Key words:** Dividend, Factor Analysis, Liquidity, Net Worth and Leverage

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