ABSTRACT

This paper studies the determinants of dividend policy and the extent of dividend smoothing in an emerging economy like India. Our results are consistent with Lintner’s (1956) model that predicts dividends move consistently towards target payouts. And we also find that the extent of dividend smoothing is lesser in the presence of dividend distribution taxes. The paper proceeds to find out the factors that affect the dividend decisions of a company. We find out that apart from earnings various other factors like size of the firms, leverage, volatility of earnings, and dividend yield also turn out to be significant factors in determining the dividend decisions of firms.