

## **ABSTRACT**

Dividend policy is an important area in corporate finance since it is a tool to signaling the financial performance and growth of the business enterprise to the investors. Dividend policy determines dividend decision of the company that affects dividend payout of the company compared to the retained amount of earnings of the company. Dividend decision differs from company to company because it differs in sizes, ownership structures, etc. The objective of the study is to identify the factors that determine the dividend policy and to analyse impact of dividend policy on profitability and share price of selected companies. The secondary data were collected from prowest database. The collected data was analysed using summary statistics, repeated measures ANOVA, correlation analysis, multiple regression analysis and panel data regression analysis. The determinants contributing to dividend policy identified from the study proves that the dividends disseminated highly influence the dividend policies of financial, energy, IT and metal sectors. Automobile and pharmaceutical sectors have shown growth prospects by making productive investments during the study period and it highly influence the dividend policy. Dividend yield ratio has a significant positive effect on profitability while dividend payout ratio registered a significant negative effect on return on asset and return on capital employed during the study period in the financial sector. On analysing the effect of dividend policy on share price, the metal sector depicts that the dividend payout ratio shows positive effect on share price.

**Keywords:** Dividend policy, Profitability, Share price and Nifty Companies.