



# SNS College of Technology

Coimbatore - 35



## 23BAT611 – Financial Management



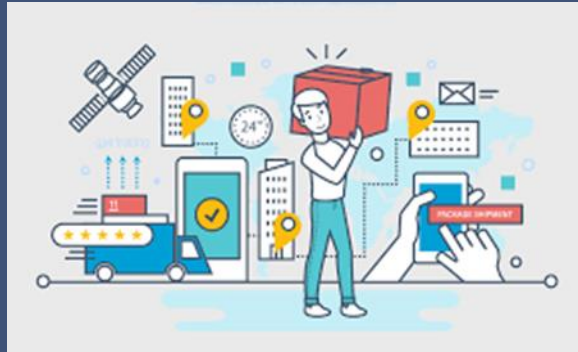
**Presented by**

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*Design Thinker*

**1<sup>st</sup> Indian Institution to Implement Design Thinking Curriculum**  
**Redesigning Common Mind and Business Towards Excellence**



# Recap





# Topic





# DETERMINANTS OF DIVIDEND POLICY

- Nature of Earnings Ex: Pharmaceuticals, liquor etc.. Steady demand so they may resort to liberal dividend policy
- Expectation of Shareholders : Retired person. Wealthy investor
- Age of the company : Small Companies follow rigid policy
- Taxation : high taxation reduces the earnings of the company and the rate of dividend is lowered down
- Liquidity : If cash position is weak, stock dividend is better
- Future Financial Requirements



## Contd ..

- Requirements of Institutional Investors : Institutional Investors prefer continuous dividend payment
- Control : To have a control a company will have conservation dividend policy
- Legal Rules: Capital Impairment Rule (to protect lenders), Net Profits, Insolvency Rule (two cases: liability exceeds assets, inability to pay its creditors); if the firm is insolvent it is prohibited to pay dividend



## Contd...

- Contractual Requirements : lenders restrict on payment of dividend
- Access to the capital market (External Sources)
- Dividend policy of the competitors (to retain the existing shareholders and to maintain the market value)
- Past Dividend rates of the company



# Assessment



A Company having easy access to capital market will follow what type of dividend policy?



# Summary



- **Determinants of Working Capital**

SUMMARY







# Reach Us



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