

Dividend Policy and the Lintner Model

Empirical Investigation in 70 UK Companies

by Valuation & Research Specialists (VRS)



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ABSTRACT

The international bibliography includes several theories regarding the dividend puzzle, one of the essential issues examined in the context of a company's financial management. In this project we present a brief review of the bibliography on exercised dividend policy giving emphasis to the description of the Lintner model. Using historical data for the period 1980 – 2007 of earnings per share and distributed dividends of a sample of UK companies, we regressed the variables of dividends with earnings per share of the current period and the dividend of the previous period, in order to test the Lintner model. We found that the Lintner model holds for a large portion (83%) of the examined companies. Moreover, a positive correlation between the variables of dividends and the size of earnings of the current period, as well as negative correlation between changes in dividends and dividends of the previous period is confirmed.

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NOTES

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