

## **DIVIDEND POLICY: A MACRO PERSPECTIVE**

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### **I. INTRODUCTION**

This paper critically reviews the main literature on dividend policy in corporate financial management, which is primarily concerned with the investment and financing decisions of a firm with an overall corporate objective in mind. It synthesizes the various theories of dividend policy and provides a conceptual framework based on the Chen and Steiner (1999) model of analyzing dividend policy in its triad relationships with debt policy, managerial ownership, and risk-taking from a macro perspective.

Basically, a firm's dividend decision is concerned with the deployment of profit generated from its operations. Should it be retained by the firm for reinvestment or distributed to its shareholders as return on their equity capital in the form of dividends? How does the firm decide its dividend policy, in particular the dividend payout, which is the portion of profit distributed as dividends? Moreover, does the time pattern of dividends matter?