

THE IMPACT OF THE LIFE CYCLE OF THE COMPANY ON DIVIDEND POLICY

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Abstract

The dividend policy is one of the most important and topical issues of corporate finance. This paper presents one of the modern approaches to dividend policy – the life-cycle theory of the company.

The article reviews the fundamental studies in which the life cycle of the company is considered from the financial point of view. These studies offer the different methods for determination of the stage of the life cycle of the company based on the use of a number of financial ratios. The offered quantitative ratios allowed to differentiate stages of the life cycle of the company.

Also the paper provides the analysis of the development of the dividend theory based on the analysis of life cycle of the company. According to this theory the dividend policy of the company depends strongly on the stage of the life-cycle of the company. One of the basic statements of this theory is that the mature companies are more likely to pay the dividends. The various authors use the different indicators as a measure of the maturity of the company. The article reviews the basic theoretical and empirical researches in which the theory of the dividend policy based on the analysis of life cycle of the company is considered.

Keywords: dividends, dividend policy, life-cycle theory, dividend payers, dividend non-payers

JEL: G35, G32

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