

### Abstract

**Aim and Objectives:** Dividends are a portion of the company's earnings given to the class of shareholders in the form of cash and property. Shareholders are paid to maintain the existing shareholders, and it helps the company portray a sound image. The study aims to identify the impact of financial leverage on the firm's dividend policy in Pakistan.

**Methodology:** In terms of data collection, this research collects time-series data for the period of 2017 to 2020 for selected financial variables of the firms. ADF Augmented Dickey-Fuller test is applied first to examine the type of variables. In the next step, the Granger causality test is applied to inspect the short-run association amid variables.

**Findings:** The study's findings indicate a significant association of the company's financial leverage on the firm's dividend policy, and it can cause the dividend policies to be affected. It has further been observed that there is a significant association between dividend yield and corporate governance structures, and it causes high dividends to be paid. There is a significant association between EPS and dividend payout. The factors associated have an impact on the dividend policies of the companies

**Keywords:** *Dividends, Manufacturing, financial leverage, companies, stakeholders, investors*