

## ABSTRACT

The focus of the study is to investigate the factor that influences dividend policy for such purpose, both (micro and macro) economic indicators have been chosen. Simultaneously dividend policy is an effective factor that plays a mediating role between selected economic variables and the value of the firm. The research on the dividend policy of the firms is as important as its growth and performance which is ultimately influenced by firms' policies. Data have been taken from five listed automobile firm's period from 2011 to 2021; the source for information was financial assessment reports from the state bank of Pakistan and the official websites of the companies. The Linear Regression Model for relationship analysis of variables and the Sobel test technique for mediation impact of dividend policy have been applied to measure automobile firms' stock price valuation. The Finding of this study shows that economic indicators such as Micro and macro have a significant impact on dividend policy and hence ultimate results found on stock prices of automobile firms of Pakistan and the Sobel technique result validate such findings.

**Keywords:** Dividendpolicy, stock price, dividend yield, retains earnings, DPR, taxation policy, inflation, linear regression, Sobel test.